

**PHUMELELA LOCAL MUNICIPALITY  
(FS195)  
ANNUAL BUDGET**



**2013/2014 TO 2015/2016  
MEDIUM TERM REVENUE AND EXPENDITURE  
FRAMEWORK**

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### Abbreviations and Acronyms

BSC:	Budget Steering Committee
CFO:	Chief Financial Officer
MM:	Municipal Manager
CPI:	Consumer Price Index
DBSA:	Development Bank of South Africa
DoRA:	Division of Revenue Act
DWA:	Department of Water Affairs
FBS:	Free basic services
FMG:	Financial Management Grant
GRAP:	General Recognised Accounting Practice
HR:	Human Resources
IDP:	Integrated Development Strategy
IT:	Information Technology
kℓ:	kilolitre
km:	kilometre
KPA:	Key Performance Area
KPI:	Key Performance Indicator
kWh:	kilowatt
ℓ:	litre
LED:	Local Economic Development
MFMA:	Municipal Financial Management Act
MIG:	Municipal Infrastructure Grant
MPRA:	Municipal Properties Rates Act
MSA:	Municipal Systems Act
MSIG:	Municipal Systems Improvement Grant
MTREF:	Medium-term Revenue and Expenditure Framework
NERSA:	National Electricity Regulator South Africa
NGO:	Non-Governmental organisations
NKPIs:	National Key Performance Indicators
NT:	National Treasury
OHS:	Occupational Health and Safety
PMS:	Performance Management System
PPE:	Property Plant and Equipment
RBIG:	Regional Bulk Infrastructure Grant
SALGA:	South African Local Government Association
SALGBC:	South African Local Government Bargaining Council
SDBIP:	Service Delivery Budget Implementation Plan

## 1.1 MAYOR'S REPORT

## **STATE OF THE MUNICIPALITY ADDRESS – PHUMELELLA LOCAL MUNICIPALITY**

**Hon. MAYOR - Cllr. TLOKOTSI JOHN MOTAUNG**

**MAY 31, 2013**

*The Speaker, Cllr. Topsy Zwane*

*Chief Whip Cllr. Smody Tshabalala*

*Fellow Councillors*

*Municipal Manager, Senior Managers, Officials & All our employees*

*Ward Committees, CDWs, CWP*

*Officials from government departments*

*SGB Members*

*Principals & All Educators*

*Parents & All Learners*

*Barutiba ba hlomphehang*

*Mohlomphehi Kgosi, NkgahleTsoetsi*

*Dingakatsa Setso*

*ZakhamuzizasePhumelela*

*Distinguished Guests*

*Ladies and Gentlemen*

Madam Speaker of Phumelela Local Municipality Today marks the very important day in the History of our municipality. We are presenting the budget estimates of the third year of the current term of the council, which is 2013/2014. One must indicate that there is high expectation of what will be presented today.

Madam Speaker,

I am proud to be delivering the state of the municipality address of Phumelela, on behalf of the collective I have been appointed to lead to the community of our municipality. Despite the criticisms we have been receiving with regard to service delivery and other challenges we were faced with, I wish to present to the council today what we called the healthy state of the Phumelela Local Municipality.

Madam Speaker, before I could even start with the details of the speech I'm about to delivery, Let me state to all our community members and stakeholders present today that Volksblad published an article last week Thursday regarding the Dairy farm in our municipality. I wish to inform councillors and members of our community including stakeholders that the Municipality has an MOU with the Free State Department of Agriculture regarding the set farm, and the Department has the service agreement with the appointed company which has nothing to do with the Municipality. However, we want to reassure the community of Phumelela that they will still benefit from the project through jobs that will be created by the project. The Municipality of Phumelela will also benefit as they will be receiving payment of services from the employed community members.

We have been undated by media queries regarding the above matter and I hope the answer has been provided as we are accountable to you as people who have elected us into this council. I also want to send a warning message to all those who are misleading our community of Phumelela by providing wrong information to them with regard to government projects and services provided by the municipality to stop doing so as they will not succeed in misleading the community forever. The African National Congress will always be the only hope for our people and no other political party will gain any support through cheap politics.

African Union Leaders on Saturday met for the 50<sup>th</sup> anniversary celebrations of the bloc, stressing on unity and intensified efforts to render the continent free from poverty, conflict and social inequalities. The 54 member African Union (AU) evolved in 2002 from the Organisation of African Unity to which had its origins in the struggle for decolonisation and was founded in Addis Ababa in 1963. The only African country not part of the AU is Morocco. AU Commission Chief Nkosazana Dlamini-Zuma said; "When we

talk about African solutions to African problems it is because we know that we can silence the guns if we act in solidarity and unity” She further said that has a bright future.

In June 2013, South Africa will reach the centenary year of the 1913 Natives Land Act; government committed itself to urgently accelerate the pace of land reform in South Africa. On the 15 May 2013, Cabinet approved the publication of the Restitution of Land Rights Amendment Bill for public comments for 30 days. The draft Bill extend the period for lodging a land claim to 2018(5 years).

The final date for lodging a land claim is currently 31 December 1998. The draft Bill and Memorandum was published in the Government Gazette on the

23 May 2013, and the final planning meeting where the consultation plan shall be finalised was held on the 22 May 2013. NARYSEC youth will be utilised in the distribution of the draft Bill to communities, and in the actual consultation process. I am happy to announce that consultation workshop for Phumelela Municipality will be held on the 3 June 2013 in Vrede; all interested parties are invited to this workshop  
Madam Speaker,

The African National Congress As the ruling party nationally, in the Province of Free State and in our municipality of Phumelela has always been guided by the document of the people which is the Freedom Charter. The Freedom Charter as drafted and adopted in Kliptown in 1955 with high moral values and good intentions for the people of this country. I want to assure the community of Phumelela that as the leadership of this municipality we have not deviated from that.

Madam Speaker, one of the key clauses in the Freedom Charter says, I quote

#### **THE PEOPLE SHALL GOVERN!**

*Every man and woman shall have the right to vote for and to stand as a candidate for all bodies which make laws;*

*All people shall be entitled to take part in the administration of the country;*

*The rights of the people shall be the same, regardless of race, colour or sex;*

*All bodies of minority rule, advisory boards, councils and authorities, shall be replaced by democratic organs of self-government.*

The above is a reflection of our commitment of ensuring that our communities are participating in all processes leading to making important and critical decisions affecting their lives. We would like to continue emphasising the importance of public participation and involvement in all matters affecting them as the Constitution also protects the rights of citizen in participating on matters affecting them. The relevant example will be what has happened to case of people of Khutsong in Carletonville and the case of Doctors for Life, where the Constitutional Court came strongly in defence of Citizens of the Country.

#### **Madam Speaker,**

Today's Budget Speech came as a culmination of extensive consultation of different sectors of the community of Phumelela through ward meetings in all our areas of Vrede, Memel and Warden as well as sector meetings. The Budget process was guided by the IDP review process which has ensured that members of the community have a say in their own development in creating a better life for all.

Honourable Speaker, we are delighted to present before the eminent house, our Budget policy statement for 2013/14. We present this as our pledge and recommitment to ensuring that the needs of our people, some of whom are yet to experience the full benefit of democracy after nineteen years. The increase for 2013/14 Financial Year on Property Rates and all other tariffs according projected CPI will be 5, 6%, except for Electricity, electricity will be adjusted in accordance with NERSA guidelines recently issued. The total expected Operating Revenue for 2013/14 Financial Year will be **R 109 204 575, 00** and the Operating Expenditure will be **R 109 182 798, 33** and the Operating Surplus will be **R 21 776, 77. R 60 709 850, 00** will be in the form of grants from other spheres of government and only **R 48 494 725, 00** will be from Property Rates, taxes and other forms of tariffs' **4 500 00, 00** which is 9% of the total Operating Expenditure will be used to fund Repairs and Maintenance, that is fixing of potholes, grading and re- gravelling of roads, streets, road markings, street signs, municipal buildings & halls, etc. This clearly indicates that Phumelela Municipality is heavily depending on grants. I want to make an urgent call to all consumers to please pay their monthly accounts and also make arrangements to pay outstanding rates and taxes, those that who really cannot pay for services due to low households income, poverty and unemployment are urged to approach the Credit Control section to register on our Indigent Register urgently. I am very excited to announce that on the 30<sup>th</sup> May 2013, the municipality approved the

following policies, Indigent Policy, Credit and Debt Collection Policy and Principle and Policy on writing off of Irrecoverable Debt.

Madam Speaker, last year when we were presenting our budget speech, it was the beginning of the Child protection week and this year year's Budget Speech is given against the backdrop of the country closing its celebration of the Child Protection week. This year Government is embarking on a massive campaign to raise awareness on the rights of children as articulated in the Children's Act. The campaign, known as Child Protection Week is celebrated when there are brutal murders and kidnapping of our young kids by those who are supposed to be protecting them from all evil deeds within the society. Our communities are no longer safe for our children.

I would like to urge all members of the community within our municipality to work together with the police in ensuring that we create a safer Phumelela and protect our children from those who have been possessed by evil spirits.

I am also happy to announce that Phumelela Municipality in partnership with Transnet will built a state of the art crèche for Masakhane Crèche, in Ext 3, later this year as part of Corporate Social Investment (CSI) by the State Owned Enterprise (SOE). Three structures that will house 6 classrooms, with toilet facilities will be constructed and the hall with and a kitchen will also be constructed. Rain water harvesting facilities will also be provided for this facility. We want to take this opportunity to thank Transnet for what they have done for our community. We call upon the private sector also to consider ploughing back in the communities that have supported it over many years.

Madam Speaker,

Last year, when we presented the budget speech, we made certain undertakings and commitments to the community of Phumelela as the municipality. I wish to report back to them on the achievements we have realised as the municipality based on those commitments.

**1. Presented during 2012/2013 (28 May 2012)**

- 1.1. In partnership with the Department of Energy, 100 houses were electrified in Ezenzeleni and 316 houses will be electrified in 2013/14 for R3.6 million).
- 1.2. In partnership with ESKOM, 250 houses in Thembalihle Ext 4 were electrified, for R2,7 million
- 1.3. ESKOM is in the process of normalization electricity network in the whole of Vrede to the tune of R5.6million)
- 1.4. Electrification project at Durant Single was successfully completed, at the cost of R192 000, 00.
- 1.5. Solar Lights projects in Ext. 4 and informal settlements in Thembalihle and in Ezenzeleni, successfully completed
- 1.6. Piggery project in Vrede was also successfully completed, raising of 400 pigs is due to start later this year
- 1.7. Construction and tarring of Piet Retief Street, Warden the cost of R10 million was successfully completed
- 1.8. Construction of 3ML Reservoir and 125KL Elevated tank in Ezenzeleni for R11 million, it is nearly completed
- 1.9. Cornelius River is 95% completed, at a cost of R15 million, installation of the raising main to the new water treatment works.
- 1.10. Construction of a new water treatment works with a 5ML/per day capacity, and allocation of this project is R30 million. It is due for completion on the 30<sup>th</sup> November 2013
- 1.11. To date 1035 VIP toilets for farm workers have been successfully completed throughout the municipality and 9 boreholes has been drilled on farms where the was no clean drinking water for the residents
- 1.12. Phumelela Municipality in conjunction with LGSETA successfully implemented Fire and Rescue Learnership, 14 learners successfully completed the program, 4 learners were are unemployed, council has resolved that they be absorbed as from the 1 June 2013.
- 1.13. In partnership with ESKOM, 10 SMMEs underwent an extensive eight (8) months business skills training, ESKOM Contractor Academy, R2,9 million was made available through ESKOM's Development Foundation, graduation ceremony was held on the 18 February

2013. It is support and commitment to government drive to accelerate job creation, poverty alleviation, skills development and infrastructure development. A second group of new 8 SMMEs have started training in April 2013; they are expected to complete their training in November 2013.

- 1.14. The municipality successfully launched the Local Aids Council and the Moral Regeneration Movement, I wish to take this opportunity to thank all the stakeholders participating in this important structures.
- 1.15. 1000 broiler chickens donated to Ithubelihle Broiler Project (500 broiler chickens) and Mayibuye Poultry Project (500 broiler chickens).
- 1.16. The municipality in partnership with the Department of Social Development launched the Isibindi Child and Youth Care Workers at the beginning of 2013, 26 young people benefited from this programme, 13 from Memel and 13 from Vrede.
- 1.17. The municipality in partnership with the Department Police, Roads and Transport successfully upgraded R34 and R546 and also installed and the municipality installed streetlights along R546 between both entrances to Vrede.

#### **Learnerships**

No	Type of Learnership	Duration	Beneficiaries	Funded by
01	Youth and Child Care	12 months	02	Social Development
02	Carpentry	12 months	13	Public Works
03	Fire Rescue	12 months	15	LGSETA
04	Road Construction	12 months	10	LGSETA
05	Ornamental Horticulture	12 months	10	LGSETA
06	Plumbing	12 months	08	
07	Electricity	24 months	05	
08	MFMA	12 months	14	
09	BA Municipal Leadership Management Programme	12 months	01 Cllr	Municipality
10	Information Technology	12 months	01 official	Municipality
11	Local Government Advance Accounting Programme	12 months	02 Officials	LGSETA
12	ODETDP	12 months	08 Officials	LGSETA
13	Brick laying	03 months	15	Eskom
14	Local Government Accounting Certificates	12 months	06 Officials	LGSETA

15	Processing Controller Training	12 months	08 Officials	LGSETA
16	LED Training	12 months	01	LGSETA

Madam Speaker

The municipality also promised learners within Phumelela who have passed well bursaries, and we wish to announce that we have provided bursaries to 25 learners to the tune of R450 000,00 during 2012/2013. We hope they will make us proud and come back having their different qualifications which will assist and benefit the community of Phumelela. We will again look in to a possibility of providing more bursaries to learners who are continuing to do well in their studies from our own budget and also from the assistance of both the provincial Government and private sector.

Madam Speaker, for the coming financial year we have budgeted an amount of R386 806,36 for our learners of Phumelela and I would also like to urge Business people from Phumelela to come on board in assisting our learners to go to school and further their studies.

Youth Month will be commemorated and celebrated under the theme: District Youth Dialogues. The Department of Sports, Arts, Culture and Recreation, Department of Social Development, Thabo Mofutsanyana District Municipality and the six local Municipalities on the 1 June 2013 will launch the District Youth Dialogue in Mantsopa Local Municipality at Ladybrand, this will be part of the month celebrations of the Youth Month, the purpose will be to assist in ensuring that young people are conscious about the role of different government departments with regard to youth issues and also to afford all departments an opportunity to inform young people about programmes they are offering, young people will also be exposed carrier opportunities and on ways on how start a business and challenges facing the young people today. A memorial lecture on 16 June 1976 will also be presented.

Madam Speaker, we will once again partner with the Department of Education to host the second Youth Parliament on the 18 June 2013, in Vrede.

Phumelela Municipality will partner with the Department Economic Development, Tourism and Environmental Affairs to host Youth Summit later in June 2013.

I am happy to announce that the municipality has assisted Sibusiso Motaung to attend Nedbank trials at Vodacom park, in Bloemfontein, and he has been selected to play for Nedbank Development Team that will play Kaizer Chiefs at the beginning of the new season and Nkosinathi Radebe and Thapelo Mokeki will be provided with transport to attend another Nedbank trials in Johannesburg on Sunday, 2 June 2013.

In an effort to promote sport and recreation in our communities, I will request the council and the management to seriously consider the renovation and upgrading of the municipal swimming pool in Vrede, by approaching the Department of Sport, Arts, Culture and Recreation or Lotto for possible funding. The local schools can then use the Municipal swimming pool to teach learners how to swim or even for swimming tournaments and competitions.

Madam Speaker, we will always remind our people of the meaning of our town names especially and what they mean as we pride ourselves with excellence and good work:

- Phumelela means “to succeed “in Isizulu and what does it say for us is that we can achieve and succeed in our endeavours.
- Vrede means peace
- Thembalihle means bright hope
- Zamani means we have to try to make a better life for ourselves
- Ezenzeleni means to do things for yourselves

The meaning of our residential areas has a lot to say what we can do to “Work together to do more” and make a better life for ourselves.

Madam Speaker, last year we also reminded the community that in September 2013, Warden will be celebrating 100 years and there are municipal plans to celebrate Warden as a *Centenary town*. I am very



excited to announce that renovations at the Warden Town Hall has already started and i am also happy to announce that Memel will also be celebrating 100 years in August 2013, centenary celebrations are planned to take place on the 25 October 2013. The renovation of the Warden Town hall is done in collaboration with the Free State Provincial Government. The Premier has pledged in the State of the Province Address that there will be:

Revitalization of infrastructure as well as social and economic development opportunities to the community of Warden and other Centenary towns in the Province

The Department of Agriculture and Rural Development has allocated R3, 9 million for centenary towns under Operation Hlasela, there are four centenary towns in the province.

The stakeholders we have consulted:

- Basebetsiba dipolasing
- Business Forums
- NGOs and churches
- Farmers' Associations
- Emerging Farmers/Commonages
- Rate payers Associations
- Faith Based Organisations
- Traditional leaders in Phumelela
- Baahi kakaretso
- Ward Committees/CDWs/CWPs
- Youth Organisations
- Unemployed graduates

Madam Speaker,

### **Integrated Development Plan**

*The formal opportunities for participation provided for in IDP processes, which invite residents and stakeholders to scrutinise and comment on hundreds of pages of text which somehow seem strange. We have to ensure the development and adoption of reliable and credible integrated development plans (IDPs) and I, on behalf of Council, would like to thank the citizens' active participation in this exercise.*

*For integrated development plans the MEC for Corporative Governance, Traditional Affairs and Human Settlements, Ms Olly Mlamleli, announced during her Budget Vote on 23 March 2012 that Phumelela Local Municipality will be one of the 11 municipalities where Simplified Integrated Development Plans (IDP) will be piloted.*

*In the past the IDP document was a one size fits all but now with Simplified Integrated Development Plans it means those smaller municipalities with less resources have a different approach they use. The document is now streamlined and all of this is done for the sake of credibility of the whole IDP process.*

*As you aware that Integrated Development Plans are critical planning implements that are used to tackle development challenges faced by communities living within municipal areas.*

*Speaker, all of this is happening because we listened to the citizens and we realised the problem of lack of water in the area. As you are aware that South Africa is a water scarce country so I would like to encourage the citizens of Phumelela to use water sparingly. During consultation meetings it was suggested the municipality should consider investigating the possibility of pumping back the water that we are releasing to the river during backwashing back into our purification system, this will save us hundreds of rand on chemicals*

Human Settlements, Housing and Title deeds

*In her 2012/13 Budget Vote of COGTA, the Hon MEC Mlamleli announced that 6 000 sites are to be created in Phumelela in the next three years. I am very excited that in March 2013, the draft layout plan was presented to the municipality for approval, 2000 sites will be developed in all our three towns, Memel, Warden and Vrede. This will assist the municipality to address the huge backlog that we are faced and it will assist the municipality to eradicate all the informal settlements in all our towns. Councillors will ensure that you are informed about progress in this regard during monthly community meetings.*

*In two months time, the municipality will commence with programme of allocate sites, in particular in Vrede where more than 800 people have bought sites but the municipality has not allocated the sites to the owners, due to water and sewer challenges in Thembalihle Ext 4, the contractor appointed to install sewer reticulation network is already on site.*

*I am also happy to announce that the Phumelela municipality will implement a new policy on purchasing of residential sites as from the July 2013. This policy will make it possible for the poorest of the poor to acquire a residential property, but we will put strict conditions for the beneficiary not to be able to use for any other purpose rather than a residential property, no tuck shops will be allowed. We therefore appeal for patience while are addressing issue around allocation of sites. We will also ensure that all Title deeds with the municipality are issued to the rightful owners; i will personally drive this programme.*

*On Land Restitution and special housing programme, Speaker, 94 housing units is currently under construction for the Land Restitution beneficiaries who lodged claims in terms of the Land Restitution Act of 1994, and the other 336 incomplete houses in Ezenzeleni, during his visit to Phumelela on Monday, 27 May 2013, Hon Premier Magashule announced that all this incomplete houses will be completed later during the current financial year. I am also happy to announce that the Department of Human Settlements has already appointed a contractor built 31 incomplete houses in Ezenzeleni; construction is in progress as I speak.*

*While in Vrede, Hon Premier Magashule, expressed his interest in assisting the municipality to develop Thembalihle Ext. 4, he said it's a beautiful area, it only need proper services, that is water, sanitation, electricity, roads etc*

*Madam Speaker, with regard to Bulk electricity supply to Ezenzeleni, the Premier has requested the Mayor to write a letter to his office and seek for assistance in terms of investigating the whole electricity network in Warden and Ezenzeleni. The letter was emailed to the office of the Premier on Tuesday, 28 May 2013*

## **Administration**

Madam Speaker, we would like to thank the contribution made by Free State Provincial Treasury and the Free State COGTA department for support and guidance they have been proving to our municipality for the current financial year. The Municipality has improved despite challenges of not having permanent senior manager in critical positions such as Technical Services, Chief Financial Officer, Senior Manager Corporate Service, Senior Manager Community Services. Let me take this opportunity to thank our current municipal manger Mr M. Moremi for the good work he has done irrespective of the conditions we were in as the municipality. He has provided leadership to the existing staff compliments as he was the only senior manager within the municipality.

Madam Speaker, I am proud to stand before this house and say with confidence that our problems are over, as we have completed the interview process and appointments will be made to all section 56 manager post in the municipality and we will strive for better and quality service delivery to our people of Phumelela.

Madam Speaker, one can further indicate that Phumelela has improved financial accountability and has implemented control measures in ensuring that we comply with the prescripts of the Municipal Finance Management Act and both national Treasury and Provincial treasury can attest to that fact.

Revenue collection has always been a challenge to most municipalities and Phumelela has not been an exception as we are not collective 100% from services we have rendered as the municipality. We want to encourage our citizens to continue paying for services. Your payments help the municipality to render quality services to you effectively and efficiently.

We would also like to thank National Treasury for deploying a Municipal Finance Improvement Programme Advisor and specifically thank them for a speedy response.

Our quest to achieve the 2014 Clean Audit target is on track and some of the steps the municipality is taking to achieve the target include:

- Filling of all vacant critical positions

- Drafting and the implementation of the Action Plan to address Audit queries
- Unbundling of immovable and movable assets in order to comply with GRAP 17. An experienced consulting engineer has been appointed and is already in the field delivering
- Review of the organ gram in line with the programme of Clean Audit 2014

In terms of filling of posts I mentioned above the following posts have been filled:

- Chief Financial Officer (CFO), Director Technical Services, Director Corporate Services, Manager Community Services, Budget & Treasury Manager, Risk Manager, IT Technician

All of the posts filled mentioned are for us to stop the over-reliance on external consultants and build capacity within the municipality within.

Other posts will be filled once the organ gram review has been completed and approved by Council. Of course the availability of funds will determine how many posts are filled during the coming financial year.

While on the issue of finances, Madam Speaker,

Once more, I am proud as a Mayor to state that Phumelela municipality is sound financially and has managed a positive cash flow for 2012/13 financial year.

We have no reliance on overdraft on overdraft.

The ESKOM account is up to date and we have no creators owed longer than 60 days (I request we should clap for that!)

We were allocated **R21, 94m** by COGTA for this financial year and as at end April 2012 our expenditure was more than 70% which in accounting terms is good and on track!

### **Local Economic Development**

**Madam Speaker,** Economic Development of any area or any Municipality is an important and critical factor in order for the municipality to realize growth. Despite efforts by the National and Provincial Government of assisting municipalities through different grants and project to ensure that boost the economic conditions of those municipalities, we have as the municipality of Phumelela Identified the following programmes and projects to enhance economic situation of the municipality;

*An allocation of R1, 980000 has been set aside fund the following Economic Developmental Projects:*

- HIV/Aids/Gender/Disability R130 000,00
- Disaster Management R400 000,00
- Support for Under performing Schools R100 000
- Poverty Alleviation R75 500,00
- Bursary Fund R250 000,00
- Job Creation(EPWP) R1000 000,00
- Sports ,Arts & Culture Programmes 25 000,00

### **Rural Development Grant**

It is said to announce that the Department of National Human Settlements has suspended the Rural Development Grant for now, more information will be provided to the affected communities in due course. I know that communities who are due to receive the VIP toilets and boreholes had been waiting patiently for this basic services, but unfortunately as we approve the budget today, there is no indication from Department of Human Settlements whether the programme will be rolled out or not in 2013/14. However, let me take this opportunity to thank all the farmers for their unwavering support during the implementation of the VIP toilets and boreholes projects on their farms. I was informed by contractors that worked on these farms that some farmers made equipments and their personnel available free of to the appointed contractors, thank very much, "Working together we can do more"

To fast track the implementation of the Property Rates Act on Agricultural properties, the municipality will appoint knowledgeable personnel to handle all outstanding issues in this regard. This challenge was brought to the attention of the Hon Ezabe Rockman, MEC for Finance and the Provincial Treasury during her visit in Phumelela last week. The implementation of the new valuation roll will be implemented on

the 1 July 2014, the processes of compiling the new valuation roll will only commence in at the beginning new financial year.

### **Grainfield Chicken Project**

‘n Groot ekonomiese inspuiting en werkskepping vir Vrede-Phumelela area het gekom met die Braaikuiken projek.

‘n Hoender voerfabriek is in Vrede opgerig teen ‘n koste van R60 miljoene en vervaardig voere aan die Phumelela omliggende distrikte. Die fabriek is byna ten volle geautomatiseer, en verskaf direk werk aan 15 tegniese mense plus dan nog die vragmotor bestuurders.

Daar is tans Drie Braaikuiken plase in Vrede distrik in aanbou in bedryf.

Die eerste Braaikuiken plaas in die bedryf is die van Mnre Cronje Boerdery van die plaas Emeretia met 6 vltooide eenhede, wat begin produsee het op 1 April 2012 in ng 6 in aanbou. Elke eenheid huisves 40 000 kuikens vir ‘n 33 dae periode voordat dit geslag word.

Die tweede Braaikuiken plaas van Mnre Deelpan Boerdery op die plaas Deelpan het tans 8 eenheid met nog 12 in aanbou.

Die derde Braaikuiken plaas van Mnr J.J.Pretorius is tans in aanbou met 4 eenhede.

Om op te som: Wanneer die 3 plase ten volle in bedryf is sal daar 11,52 miljoen Braaikuikens per jaar geslaag word wat 21 600 tons vleis beloop.

Alle voere wat gebruik word in projek word in Vrede area geproduseer en sal 36 800 ton beloop, ook word alle hoendermis terug gewerk in mielie en soya boon lande wat ekstra werkgeleenthede sal skep as ook besparing op bemesting onkoste.

Alle slagtings word in Reitz gedoen waar ‘ nuwe Abbatoir gebou is.

Daar kan verwag word dat daar nog meer Braaikuiken plase sal volg.

Werkseleenthede wat geskep is deur hierdie projekte is 65 voltydse poste met 30 deeltydse poste, net in Vrede-Phumelela.

Die ekonomiese inspuiting, gesien uit bogenoemde is geweldig en kan lei tot verdere belangstelling vir besigheid in Vrede.

Madam Speaker

Allow me to take this opportunity to thank all business people in Phumelela, both small and big businesses for their support, for ensuring that our they invest in our municipality, for assisting government and the municipality in terms job creation, government alone can't deal with joblessness that our country and the municipality is faced with, we need to jointly if we want to succeed in address issues of unemployment. I wish to single out the following business people who has recently invested in our area, that is Mr Hannes Kruger for spending over R300 000, 00 on the municipal airstrip and ensuring that most of the charter planes can now land on the airstrip and also for upgrading BP Filling station, Mr Koos Henneging new Isuzu bakkie show room, Mr Christo Booyens & Elsie Keller for opening Carpet, Car Wash in Vrede, Mr Nel, the owner of Vrede Hotel, the most beautiful hotel in Free State. I want to make a special request to all business people especially opposite to Vrede Hotel, to consider renovating their shops, most of them looks ugly, they give a very bad of our town, please talk to the municipality, maybe we give a suggestion .The owners of Shoprite U-save in Warden and many other business people who put our municipality on the map, please keep it up.

The municipality is in the process of licensing all the landfill sites in Phumelela, including the relocation of the Vrede landfill site to a new site.

This main hall needs an urgent attention, the chairs and the floor here on the stage are disintegrating, If we don't do something soon we will be forced closed it down.

### Capital Projects:

#### Provide a table of Capital Projects

Town	Project	Amount Allocated	Date Of Commencement
Zamani	50 Solar Street Lights		August/September
Zamani	Pump Station, Outfall Sewer line & Raising main	R6,5 million	July/August
Zamani	Sewer Reticulation Network	R4.9 million	Construction in progress
Memel	Reservoir, Raising main & Pump station	R10,2 million	Adjudication stage
Warden	Sarel Cillier & Oosthyse Streets		July/August
Warden	Construction of the Dam Wall	R20 million	August/September
Vrede	Sport Stadium	R4,2 million	Construction in progress
Thembalihle	Construction, 2km paved road	R4,5 million	Adjudication stage
Zamani	Construction of a Clinic	R10 million	Contractor on site
Zamani	Construction of a Primary School	R48 million	Contractor on site
Vrede, Warden, Memel	Upgrading ,Licensing of Landfill Sites	R700 000,00	Planning

### Public Participation

Developmental local government is strongly associated with deepening democracy and providing instruments to do so and public participation is one of the instruments which are critical. We are seeking to shape a developmental state that meets our specific needs as a country and the issue of public participation is quite important.

Speaker, R600 000,00 has been allocated to the Office of the Speaker to enhance Public Participation. This allocation will mainly be spend on training programmes aimed at capacitating newly elected ward committees ,to ensure that they understand their roles. Let me at this stage; appreciate the support we got from COGTA, especially funding and facilitation of the induction workshop for the newly elected ward committees at the beginning of 2012. Democracy needs to be deepened through a refined ward committee model. We request those people participating in ward committees to exhibit commitment and a spirit of service. Remember we fought for democracy which is defined by Abraham Lincoln as *government of the people, by the people and for the people*.

The struggle for democracy was for us to be active participants in shaping our futures. Speaker, this financial injection will definitely enhance the public participation process.

As I present this Budget for the 2013/14, Speaker, I strongly urge the citizens of our municipal area to work with us to make a better life for all and as the name of our municipality suggests, let us Phumelela!

I must also send my gratitude to the African National Congress for showing confidence by deploying me to lead this municipality.

I would be doing an injustice to the people of Phumelela if I don't acknowledge and appreciate their support, patience and resilience in dealing with matters of service delivery.

Let me also thank our all employees and senior officials under the leadership of Municipal Manager, Mr T. M. Moremi, especially those who work extra hours for ensuring that quality services are delivered to the people of Phumelela. I urge you to keep up the good work.

How can I forget the staff in my office for their loyal and undivided support? Many challenges still lie ahead and with your expertise, commitment and dedication, we can conquer them all.

Families are a source of inspiration and support without which our existence would have lesser meaning. For this reason, I would like to thank my wife, my children and the rest of my family for their unwavering support.

***“The fundamental principle in our struggle is equal rights for all in our country, and that all people who have made South Africa their home, by birth or adoption, irrespective of colour or creed, are entitled to these rights.”***

*The Thinker, June 2013, Volume 52 has this to say;*

*“From the inception of the trial in October 1963, there existed a possibility that the accused could be sentenced to death, but on the 12 June 1964, Judge De Wet sentenced them to life imprisonment. The Rivonia Trialists, including our former President Nelson Mandela, this sentence was received as a sigh of relief.*

*Just 50 years later, after far too much loss of dignity, blood and human life, negotiations finally gave birth to a democratic South Africa. But, as Steven Friedman points out, there is still much to be done:*

*Important as the breakthrough of 1994 was, it has not guaranteed the shift of power to apartheid’s victims: this has depended on the extent to which the dominated have been able to use the rights which democracy offers to turn promise of a say into reality.”*

***Thank You  
Baie Dankie  
Ngiyabonga  
Keya leboha***

## **1.2 Council Resolutions**

### **ITEM 185/2013**

#### **RE: PRESENTATION AND APPROVAL OF THE FINAL 2013/2014 CAPITAL AND OPERATING BUDGET AND IDP DOCUMENT**

#### **RESOLVED**

- That council resolves that the annual operating and capital budget of the municipality for the 2013/2014 MTREF and the two projected outer years 2014/2015 and 2015/2016 as set out in the following tables be approved:
  - Table A1 – Budget Summary
  - Table A2 – Budgeted Financial Performance (revenue and expenditure by standard classification)
  - Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)
  - Table A4 – Budgeted Financial Performance (revenue and expenditure)
  - Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding
  - Table A6 – Budgeted Financial Position
  - Table A7 – Budgeted Cash flows
  - Table A8 – Cash backed reserves/accumulated surplus reconciliation
  - Table A9 – Asset Management
  - Table A10 – Basic Service delivery measurement
- That Council adopt and approve the budget related policies as reviewed by administration.
- That council approves the new tariffs for the different services and rates and taxes to be implemented as from the 1 July 2013 as outlined on Annexure B (The increases are as follows:
  - Property Rates 5.6% (2013/14), 5.4% (2014/15), 5.4% (2015/16)
  - Water 5.6% (2013/14), 5.4% (2014/15), 5.4% (2015/16)
  - Sanitation 5.6% (2013/14), 5.4% (2014/15), 5.4% (2015/16)
  - Refuse 5.6% (2013/14), 5.4% (2014/15), 5.4% (2015/16)
  - Electricity 7% (2013/14), 7% (2014/15), 7% (2015/16)
- That council take notice that the measurable performance objectives must still be determined for the budget year 2013/2014
- That council approves the 2013/14 Integrated Development Plan
- That council adopt the reviewed budget related policies
- That council take note that the SDBIP will be tabled within 28 days after the approval of the budget, its related schedules and annexures.

**Signed by.....**  
**CLLR T.J. MOTAUNG(MAYOR)**

**.....**  
**DATE**

## **1.3 EXECUTIVE SUMMARY**

### **1.3.1 Background**

This draft budget of Phumelela Local Municipality is compiled in accordance with prescribed legislative frameworks for the MTREF that is due to start on the 1 July 2013 to June 2016. According to section 16(2) of the MFMA, read together with section 215 of the constitution, the Municipal Mayor should at least 90 days before the beginning of every financial year table budget for consultation to Council. This budget was, therefore, tabled to Council for consultation as operating and capital budget of the municipality for the financial year 2013/2014 and for the two projected outer years (2014/2015 and 2015/2016). This budget was thus adopted as a draft pending amendments as may be necessary following consultations with the local community and other relevant stakeholders as required by section 23 of the MFMA.

Section 24 of the MFMA requires that, the municipal council must at least consider the approval of the annual budget. This budget has been approved by the municipal council on the 31 May 2013 after incorporating public comments and amendments effected. This document was prepared with serious consideration of the local socio-economic scene and the continuous increase in unemployment and poor standard of living in our community. The municipality must thus, make initiatives to combat the challenges of poverty, unemployment and inequality through enhancement of projects that will encourage local economic development and other employment creation initiatives to improve lives of its community.

The municipality's cash flow trend is not good; this is due to poor debtors' collection and creditors' control. The community should be encouraged to come forth and register as indigents, as and if they qualify in accordance with the set criteria. This will help the municipality in cash forecasting and budget for realisable goals. Despite the current cash flow challenges, we are striving to improve the current status of service delivery through implementation of various cost saving methods and controls.

The Office of Budget and Treasury under the auspices of the CFO shall oversee the whole budgeting process, budget implementation and its monitoring thereof. All sections are advised to start saving costs in performing their duties yet maximising their performance. The following are some of the most overspending expenditure votes that should be seriously controlled: telephone, travel and subsistence, overtime, print and stationery. Every employee of the municipality shall take the ownership of this document and ensure maximum service delivery through implementation of the IDP priorities as set.

The municipality continues to provide for free basic water, electricity, sanitation and refuse-removal services but only up-to a set benchmark. For the 2013/2014 MTREF, the indicative allocations for 2014/15 and 2015/16 have been calculated taking into account provisions of circular 67 of the MFMA issued on the 12 March 2013. Electricity bulk price increases of 7.3 percent, CPI forecast of 5.6 percent in 2013/2014 and 5.4 percent in both 2014/2015 and 2015/2016 as well as household growth in line with the period between 2001 and 2011. These variables will be updated in future budgets to reflect any changes in the growth in prices and/or change in affordability of our communities.

The threshold for receiving free basic services rose from R800 per month (in 2001 prices) to R2 300 per month (in 2013 prices). Equitable share provides funds for the institutional costs of municipalities and for community services; such as parks, recreation and fire fighting. Important, this affordability threshold that informs the equitable share is set at R2 300 per month, as the municipality we are not specifically required to use this threshold in our indigent policy, it is important to review the policy and incorporate this development. As part of the Municipal Budget and Benchmark Engagements, National Treasury and the respective provincial treasury will assess this component of the municipality's indigent policy.

### **1.3.2 Overview**

The application of sound financial management principles for the compilation of PLM's financial plan is essential and critical to ensure that PLM remains financially viable and that municipal services are provided sustainably, economically and equitably to all its communities. PLM's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial



stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This exercise has resulted in shift from the surplus R283 134 to the surplus of R3 000 for the current financial year's adjusted budget. The PLM has also introduced strategic measures to encourage consumers to pay their arrear debt.

National Treasury's MFMA Circular No. 51, 54, 55, 58, 59, 66 and 67 were used to guide the compilation of the 2013/2014 MTREF. The main challenges experienced during the compilation of the 2013/2014 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging and poorly maintained water, sanitation, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the given income base;
- The increased cost of electricity (due to tariff increases introduced by NERSA). This is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable as there will be a point where services will no longer be affordable; and
- Salary increases for municipal staffs that continue to exceed consumer inflation, review of organisational structure that has just been undergone, as well as the need to fill critical vacancies.

The following budget principles and guidelines directly informed the compilation of the 2013/2014 MTREF:

- The 2012/2013 Adjustments Budget priorities and targets, as well as the base line allocations contained in the Adjustments Budget were adopted where applicable as the upper limits for the new baselines for the 2013/2014 annual budget;
- Current service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Where tariffs were increased, affordability and the inflation rate as measured by the CPI were considered, price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity were also considered. In addition, MFMA Circular 66 and 67 were also considered. In these Circulars municipalities are urged to move towards tariffs that are cost reflective, and take into account the need to address infrastructure backlogs;
- There will be no amounts budgeted for national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
  - Special Projects (bursary fund, learnership, etc.);
  - Consultant Fees;
  - Furniture and office equipment (inventory);
  - Special Events (disaster management);
  - Refreshments and entertainment;
  - Subsistence and Travelling; and
  - Overtime

In view of the executive summary, the following table is a consolidated overview of the 2013/2014 Medium-Term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2013/2014 MTREF**

Description	ADJUSTED	BUDGET 2013/2014	BUDGET +1 2014/2015	BUDGET +2 2015/2016
Revenue	103 595 748	108 204 575	111 139 300	115 483 967
Expenditure	103 312 613	108 201 575	111 130 221	115 479 522
Surplus/(Deficit)	1 673	3 000	9 079	4 444
Capital Expenditure	86 684 000	46 827 000	50 796 000	51 021 000

Total operating revenue is anticipated to grow by 4.4 percent or R4.6m for the 2013/2014 financial year when compared to the 2012/2013 Adjusted Budget. For the two outer years, operational revenue will increase by 2.7 and 3.9 percent respectively, equalling a total revenue growth of R11.9m over the MTREF when compared to the 2012/2013 financial year.

Total operating expenditure for the 2013/2014 financial year has been appropriated at R108.2m and translates into a budgeted surplus of R3 000. When compared to the 2012/2013 Adjusted Budget, operating expenditure is anticipated to grow by 4.7 percent in the 2013/2014 budget and by 2.7 and 3.9 percent for each of the respective outer years of the MTREF. The operating surplus for the two outer years slightly increases to R9 079 and drops to R4 444, which show our commitment to service delivery.

The capital budget of R 46.8m for 2013/2014 is 46 percent less when compared to the 2012/2013 Adjustment Budget. The decrease is due to various projects being finalised in the 2012/2013 financial year as well as affordability and funding constraints in the light of current economic circumstances. The capital programme increases to R50.8m in the 2014/2015 financial year and then a slight increase in 2015/2016 to R51m. Most of these projects (96.7 percent) of the capital budget will be funded from government grants namely, the Municipal Infrastructure Grant and Regional Bulk Infrastructure Grant. Other projects are not reflected on our budget as they fall within the scope of provincial and national government programmes

### **1.3.3 Operating revenue and expenditure framework**

For PLM to continue improving the quality of services provided to its residents it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macro-economic policy;
- Growth in the PLM and continued economic development;
- Efficient revenue management, which aims to eventually achieve a 75 percent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the PLM.

**Table 2: The following table is a summary of the 2013/2014 MTREF (classified by main revenue and expenditure source):**

**FS195 Phumelela - Table A4 Budgeted Financial Performance (revenue and expenditure)**

2013/14 Medium Term Revenue & Expenditure Framework											
Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand	1										
Revenue By Source											
Property rates	2	4 091	5 799	6 677	5 706	5 706	5 706	–	7 005	7 363	7 725
Property rates - penalties & collection charges		–	–	100	–	–	–		–	–	–
Service charges - electricity revenue	2	4 743	4 924	6 718	6 627	6 627	6 627	–	7 323	7 698	8 075
Service charges - water revenue	2	3 429	4 869	5 859	11 343	11 343	11 343	–	12 005	12 618	13 238
Service charges - sanitation revenue	2	4 835	5 369	5 573	5 480	5 480	5 480	–	5 650	5 939	6 231
Service charges - refuse revenue	2	4 628	5 098	5 282	5 310	5 310	5 310	–	5 964	6 269	6 577
Service charges - other		–	473	27	–	–	–		–	–	–
Rental of facilities and equipment		632	906	702	1 770	1 770	1 770		1 771	1 865	1 965
Interest earned - external investments		180	211	612	650	650	650		665	700	735
Interest earned - outstanding debtors		2 186	2 114	2 615	2 879	2 879	2 879		3 208	3 374	3 543
Dividends received		–	–	–	–	–	–		–	–	–
Fines		95	87	111	201	201	201		210	222	234
Licences and permits		13	13	40	43	43	43		24	27	30
Agency services		–	–	–	–	–	–		–	–	–
Transfers recognised - operational		41 025	79 920	56 249	60 433	60 433	60 433		61 710	62 277	64 223
Other revenue	2	28 662	7 716	3 035	3 173	3 173	3 173	–	2 670	2 787	2 908
Gains on disposal of PPE		–	–	–	–	–	–		–	–	–
Total Revenue (excluding capital transfers and contributions)		94 519	117 500	93 600	103 614	103 614	103 614	–	108 205	111 139	115 484
Expenditure By Type											
Employee related costs	2	18 696	22 753	28 349	35 016	35 016	35 016	–	43 156	45 909	48 801
Remuneration of councillors		2 761	3 048	3 653	4 283	4 283	4 283		4 112	4 384	4 678
Debt impairment	3	9 173	11 720	6 046	5 266	5 266	5 266		11 455	9 290	7 301
Depreciation & asset impairment	2	17	285	3 950	4 179	4 179	4 179	–	2 478	2 607	2 737
Finance charges		618	486	390	483	483	483		460	486	512
Bulk purchases	2	7 794	12 857	13 209	15 541	15 541	15 541	–	13 546	14 602	15 738
Other materials	8	–	–	–	–	–	–		–	–	–
Contracted services		–	2 077	1 864	1 971	1 971	1 971	–	2 350	2 472	2 594
Transfers and grants		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	23 597	24 532	35 592	36 592	36 592	36 592	–	30 645	31 381	33 119
Loss on disposal of PPE		–	–	–	–	–	–		–	–	–
Total Expenditure		62 656	77 758	93 054	103 331	103 331	103 331	–	108 202	111 130	115 480
Surplus/(Deficit)		31 863	39 741	546	283	283	283	–	3	9	4
Transfers recognised - capital		–	–	–	–	–	–		–	–	–
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets		–	–	–	–	–	–		–	–	–
Surplus/(Deficit) after capital transfers & contributions		31 863	39 741	546	283	283	283	–	3	9	4
Taxation		–	–	–	–	–	–		–	–	–
Surplus/(Deficit) after taxation		31 863	39 741	546	283	283	283	–	3	9	4
Attributable to minorities		–	–	–	–	–	–		–	–	–
Surplus/(Deficit) attributable to municipality		31 863	39 741	546	283	283	283	–	3	9	4
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–		–	–	–
Surplus/(Deficit) for the year		31 863	39 741	546	283	283	283	–	3	9	4

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfer and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit. Revenue generated from rates and service charges forms a small part of the revenue base of the PLM. Rates and service charge revenues comprise just above a quarter of the total revenue mix.

In the 2013/2014 financial year, revenue from rates and services charges totalled R37.9m or 35.1 percent of the operating revenue. This increases to R39.9m and R41.8m in the respective financial years of the MTREF; this will be achieved through robust implementation of debt collection and credit control policy. A notable trend of continuous increase in the total percentage revenue is envisaged to be generated from rates and services charges. This growth can be mainly attributed to an increase in the number of farms that are to be billed. The above table takes into account revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

The PLM's expenditure framework for the 2013/2014 budget and MTREF is informed by the following:

- Repairs and maintenance backlogs;

- Balancing the budget (operating expenditure should not exceed operating revenue unless there are existing uncommitted cash-backed reserves to fund any deficit);
- Funding of the budget over the medium term as informed by Section 18 and 19 of the MFMA;
- The capital programme and backlog eradication; and
- Funding the capital budget and other core services by operational gains and efficiencies.

The budgeted allocation for employee related costs for the 2013/2014 financial year totals R43.2m, which equals 39.9 percent of the total operating expenditure. Based on the three year collective SALGBC agreement, salaries have been budgeted at a rate of 39.9 percent for the 2013/2014 financial year to accommodate for an increase of 6.85 percent and annual increase of 6.4 percent in the two outer years of the MTREF. Please note that these costs are the combination of salaries, social contributions and allowances. As part of the PLM's cost reprioritization and cash management strategy, vacancies have been significantly restructured. Most vacancies of critical and strategic positions were filled and that were not filled were also taken into account when this budget was compiled. In addition, expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The cost associated with the remuneration and allowances of councillors were determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, no. 20 of 1998. This expenditure item is curbed at R4.1m representing 3.8 percent of the operating budget. In compiling the salary budget for Councillors, an increase was provided based on the most recent proclamation which came into effect on 1 July 2012.

The provision of debt impairment was determined based on an envisaged annual collection rate of 75 percent. For the 2013/2014 financial year it is provided at R11.5m, reduced to R9.3m by 2014/2015 and 7.3m in 2015/2016. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Note that the application of Directive 4 with regard to the phasing in of depreciation (GRAP 17) has resulted in a significant decrease in depreciation relative to previous years. This charge will however increase significantly in the subsequent years, but it will not have an effect on tariffs as this charge is excluded when determining tariffs.

Finance charges consist primarily of the repayment of interest (cost of capital) on long term annuity loans and the recently raised finance lease to acquire vehicles. This interest makes up 0.42 percent (R0.46m) of the operating expenditure excluding annual redemption for 2013/2014 and increases to R0.49m by 2014/2015.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been accounted for in the budget appropriations and directly inform the revenue provisions. The expenditure includes distribution losses resulting from illegal connections, faulty meters and tempering. Bulk purchases are budgeted at R13.5m and R0.5m for electricity and water respectively which totals to 12.5 percent of the overall operating expenditure.

Contracted services have been identified as a cost saving area for the PLM. As part of the compilation of the 2013/2014 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. Contracted services constitute only R2.35m representing 2.2 percent of the total operating expenditure.

Other expenditure comprises of repairs and maintenance, operational provisions and various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved and is budgeted at R30.6m or 28.3 percent of the operating budget. Growth has been drastically reduced by 16.3 percent for 2013/2014 and curbed at 2.4 and 5.5 percent respectively for the two outer years, indicating that significant cost savings have been already realised.

Operating grants and transfers totals R61.7m in the 2013/2014 financial year, minor increases to R62.3m by 2014/15 and R64.2m in 2015/2016. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 3: Operating transfers and grants receipts**

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>										
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		38 943	47 988	-	59 673	59 673	59 673	60 446	60 948	62 828
Local Government Equitable Share		35 458	44 238		56 039	56 039	56 039	56 906	58 214	59 911
Finance Management		2 750	3 000		1 500	1 500	1 500	1 650	1 800	1 950
Municipal Systems Improvement		735	750		800	800	800	890	934	967
Integrated National Electrification Programme		-	-		-	-	-	-	-	-
EPWP Incentive		-	-		-	-	-	1 000	-	-
					-	-	-	-	-	-
MIG PMU ESTABLISHMENT					1 334	1 334	1 334	-	-	-
<b>Provincial Government:</b>		1 632	873	-	760	-	-	-	-	-
COGTA - CFO Salary		132	473		760	-	-	-	-	-
COGTA - Refuse Dumps		-	400		-	-	-	-	-	-
DWA - Drought Relief		-	-		-	-	-	-	-	-
COGTA - Social Development		-	-		-	-	-	-	-	-
COGTA - Turnaround Strategy		1 500	-		-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<i>Electricity</i>		-	-		-	-	-	-	-	-
		-	-		-	-	-	-	-	-
<b>Other grant providers:</b>		450	-	-	-	-	-	-	-	-
DBSA Capacity		450	-		-	-	-	-	-	-
Theta Learners		-	-		-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	41 025	48 861	-	60 433	59 673	59 673	60 446	60 948	62 828
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		18 222	12 630	-	25 293	25 293	25 293	45 277	50 796	51 021
Municipal Infrastructure Grant (MIG)		18 222	12 630		25 293	25 293	25 293	25 277	20 796	21 021
Regional Bulk Infrastructure		-	-		-	-	-	20 000	30 000	30 000
Rural Households Infrastructure		-	-		-	-	-	-	-	-
								-	-	-
Other capital transfers/grants [insert desc]		-	-		-	-	-	-	-	-
<b>Provincial Government:</b>		8 853	11 046	-	56 942	56 942	56 942	-	-	-
Other capital transfers/grants [insert description]		8 853	11 046		56 942	56 942	56 942	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<i>Fire Station</i>		-	-		-	-	-	-	-	-
<i>Warden/ Memel</i>		-	-		-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
DBSA Capacity		-	-		-	-	-	-	-	-
		-	-		-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	5	27 075	23 676	-	82 235	82 235	82 235	45 277	50 796	51 021
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		68 099	72 537	-	142 668	141 908	141 908	105 723	111 744	113 849

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the PLM. National Treasury continues to encourage municipalities to ensure that rates, tariffs and other charges are cost-reflective yet keeping increases as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 percent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increase of Eskom bulk tariffs is far beyond the mentioned inflation target. Given that, these tariff increases are determined by external agencies, the impact they have on the municipality's

electricity tariffs are largely outside the control of the PLM. Discounting the impact of these price increases by lowering consumer tariffs will erode the PLM's future financial position and viability.

It must also be appreciated that the inflation, as measured by consumer price index (CPI), is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the PLM is managing the gap between these cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

### 1.3.5 Capital expenditure

**Table 5: Detailed capital budget per individual project**

Funder	Project Description	2013/2014 BUDGET	2014/2015 BUDGET	2015/2016 BUDGET
MIG	PMU	1 263 850.00	1 039 800.00	1 051 050.00
MIG	Warden (Ezenzeleni): Upgrading of Bulk Sewer	-	290 000.00	-
MIG	Zamani/Memel: Installation of Sewer Reticulation Network Phase 1	475 718.44	-	-
MIG	Sport facilities in Phumelela	4 212 750.00	3 119 400.00	3 098 628.79
MIG	Zamani: 2ML Reservoir rising main & Pumpstation	10 293 189.40	883 535.60	-
Own Revenue	Mayoral Vehicle	500 000.00	-	-
Own Revenue	Speaker's Vehicle	500 000.00	-	-
Own Revenue	Completion of Sewerages in Thembalihle	500 000.00	-	-
Own Revenue	Provision of dustbins	50 000.00	-	-
RBIG	Ezenzeleni: Water Treatment Works	20 000 000.00	30 000 000.00	30 000 000.00
MIG	Thembalihle: Construction 5 KM Paved road	4 500 000.00	4 500 000.00	-
MIG	Thembalihle Ext 4: Construction of 2ML Reservoir	-	1 725 000.00	9 839 429.72
MIG	Zamani/Memel: Installation of Sewer Reticulation Network Phase 2	4 531 492.16	6 665 359.68	6 854 796.21
MIG	Ezenzeleni: Construction of 0.5km paved road	-	2 572 904.72	177 095.28
	<b>Total</b>	<b>46 827 000.00</b>	<b>50 796 000.00</b>	<b>51 021 000.00</b>

In 2013/2014 an amount of R46.8m has been appropriated for the development of infrastructure which represents 94 percent of the total capital budget with costs only accounting for 6 percent. An amount equal to R25.3m of the overall funding of these projects will be received from MIG, R20m from RBIG and the remainder from surplus funds. Water infrastructure receives the highest allocation of R30.293m equalling 64.7 percent of the total capital budget.

## 1.4 ANNUAL BUDGET TABLES- PARENT MUNICIPALITY

The following pages present the ten main budget tables as required in terms of regulation 8 of the Municipal Budget and Reporting Regulations-Part 2 regulation 6. These tables set out the municipality's 2013/2014 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes.

**Table 6 (Table A1) – Budget Summary**

FS195 Phumelela - Table A1 Budget Summary

Description	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	4 091	5 799	6 777	5 706	5 706	5 706	–	7 005	7 363	7 725
Service charges	17 635	20 734	23 459	28 759	28 759	28 759	–	30 942	32 524	34 121
Investment revenue	180	211	612	650	650	650	–	665	700	735
Transfers recognised - operational	41 025	79 920	56 249	60 433	60 433	60 433	–	61 710	62 277	64 223
Other own revenue	31 588	10 836	6 503	8 066	8 066	8 066	–	7 883	8 275	8 680
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>94 519</b>	<b>117 500</b>	<b>93 600</b>	<b>103 614</b>	<b>103 614</b>	<b>103 614</b>	<b>–</b>	<b>108 205</b>	<b>111 139</b>	<b>115 484</b>
Employee costs	18 696	22 753	28 349	35 016	35 016	35 016	–	43 156	45 909	48 801
Remuneration of councillors	2 761	3 048	3 653	4 283	4 283	4 283	–	4 112	4 384	4 678
Depreciation & asset impairment	17	285	3 950	4 179	4 179	4 179	–	2 478	2 607	2 737
Finance charges	618	486	390	483	483	483	–	460	486	512
Materials and bulk purchases	7 794	12 857	13 209	15 541	15 541	15 541	–	13 546	14 602	15 738
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	32 770	38 329	43 503	43 829	43 829	43 829	–	44 450	43 143	43 014
<b>Total Expenditure</b>	<b>62 656</b>	<b>77 758</b>	<b>93 054</b>	<b>103 331</b>	<b>103 331</b>	<b>103 331</b>	<b>–</b>	<b>108 202</b>	<b>111 130</b>	<b>115 480</b>
<b>Surplus/(Deficit)</b>	<b>31 863</b>	<b>39 741</b>	<b>546</b>	<b>283</b>	<b>283</b>	<b>283</b>	<b>–</b>	<b>3</b>	<b>9</b>	<b>4</b>
Transfers recognised - capital	–	–	–	–	–	–	–	–	–	–
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>31 863</b>	<b>39 741</b>	<b>546</b>	<b>283</b>	<b>283</b>	<b>283</b>	<b>–</b>	<b>3</b>	<b>9</b>	<b>4</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>31 863</b>	<b>39 741</b>	<b>546</b>	<b>283</b>	<b>283</b>	<b>283</b>	<b>–</b>	<b>3</b>	<b>9</b>	<b>4</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>–</b>	<b>–</b>	<b>77 617</b>	<b>86 684</b>	<b>86 684</b>	<b>86 684</b>	<b>–</b>	<b>46 827</b>	<b>50 796</b>	<b>51 021</b>
Transfers recognised - capital	27 074	23 675	68 817	83 566	83 566	83 566	–	45 277	50 796	51 021
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	3 500	–	–	–	–	–	–	–
Internally generated funds	1 557	–	5 300	3 118	3 118	3 118	–	1 550	–	–
<b>Total sources of capital funds</b>	<b>28 631</b>	<b>23 675</b>	<b>77 617</b>	<b>86 684</b>	<b>86 684</b>	<b>86 684</b>	<b>–</b>	<b>46 827</b>	<b>50 796</b>	<b>51 021</b>
<b>Financial position</b>										
Total current assets	18 403	26 024	17 148	21 622	21 622	21 622	–	21 823	23 407	28 973
Total non current assets	194 479	230 011	296 444	332 438	332 438	332 438	–	336 025	333 506	327 062
Total current liabilities	20 443	46 410	4 211	5 410	5 410	5 410	–	4 232	4 426	4 712
Total non current liabilities	3 124	6 373	4 311	5 426	5 426	5 426	–	10 389	9 251	8 082
Community wealth/Equity	189 315	203 252	305 070	343 224	343 224	343 224	–	343 227	343 236	343 241
<b>Cash flows</b>										
Net cash from (used) operating	34 105	57 719	64 153	3 544	–	–	–	46 876	50 111	52 609
Net cash from (used) investing	(28 088)	(57 158)	(68 163)	(3 068)	–	–	–	(45 277)	(50 796)	(51 021)
Net cash from (used) financing	(79)	2 105	(541)	(918)	–	–	–	–	–	–
<b>Cash/cash equivalents at the year end</b>	<b>2 392</b>	<b>5 059</b>	<b>508</b>	<b>66</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 600</b>	<b>915</b>	<b>2 503</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	3 207	4 041	995	6 226	6 226	6 226	–	2 800	2 115	3 703
Application of cash and investments	14 133	33 379	(5 831)	(2 875)	4 509	4 509	–	(6 150)	(6 644)	(9 807)
<b>Balance - surplus (shortfall)</b>	<b>(10 926)</b>	<b>(29 338)</b>	<b>6 826</b>	<b>9 101</b>	<b>1 717</b>	<b>1 717</b>	<b>–</b>	<b>8 951</b>	<b>8 759</b>	<b>13 510</b>
<b>Asset management</b>										
Asset register summary (WDV)	193 664	221 776	296 265	332 438	332 438	332 438	336 025	336 025	333 506	327 062
Depreciation & asset impairment	17	285	3 950	4 179	4 179	4 179	2 478	2 478	2 607	2 737
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	6 045	6 296	6 817	4 410	4 410	4 410	10 066	10 066	10 610	11 159
<b>Free services</b>										
Cost of Free Basic Services provided	427	383	–	–	–	–	304	304	319	335
Revenue cost of free services provided	–	–	1 902	1 902	–	–	4 189	4 189	4 405	4 623
<b>Households below minimum service level</b>										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–	–

Explanatory notes on Table A1 – Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flows, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial Management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow, as well as the capital budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected in the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing in the Cash Flow Budget;
    - iii. Internally generated funds are financed from a combination of the current operating surplus, accumulated cash-backed surpluses from previous years and envisaged budget year revenue collection. The amount is incorporated in the Net cash from investing in the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving, indicates that the necessary cash resources are available to fund the Capital Budget.
4. The cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations were not cash-backed. This has placed the municipality in a very vulnerable financial position. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations. It can therefore be seen that over the MTREF there is progressive improvement in the level of cash-backing of obligations showing an ultimate surplus.
5. Even though the council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.



**Table 7 (Table A2) Budgeted Financial Performance (revenue and expenditure by standard classification)**

FS195 Phumelela - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		74 654	53 254	64 476	71 532	71 532	71 532	72 360	73 455	75 942
Executive and council		112	1 631	1 620	760	760	760	-	-	-
Budget and treasury office		72 817	50 719	59 688	66 470	66 470	66 470	68 554	69 450	71 731
Corporate services		1 725	905	3 168	4 302	4 302	4 302	3 806	4 005	4 211
<i>Community and public safety</i>		269	258	261	360	360	360	370	391	412
Community and social services		175	171	151	160	160	160	170	180	190
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		94	87	110	200	200	200	200	211	222
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		19	335	16	18	18	18	1 279	1 345	1 412
Planning and development		7	12	16	18	18	18	1 279	1 345	1 412
Road transport		12	323	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		19 577	64 907	28 847	31 704	31 704	31 704	34 196	35 948	37 718
Electricity		4 930	18 006	9 859	7 159	7 159	7 159	7 868	8 273	8 680
Water		3 882	17 683	6 524	12 049	12 049	12 049	12 711	13 361	14 019
Waste water management		5 395	14 184	6 338	6 292	6 292	6 292	6 653	6 994	7 339
Waste management		5 371	15 035	6 126	6 205	6 205	6 205	6 964	7 320	7 680
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	<b>94 519</b>	<b>118 755</b>	<b>93 600</b>	<b>103 614</b>	<b>103 614</b>	<b>103 614</b>	<b>108 205</b>	<b>111 139</b>	<b>115 484</b>
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		21 979	24 974	37 530	51 386	51 386	51 386	40 559	41 605	44 138
Executive and council		6 670	7 890	13 664	12 259	12 259	12 259	11 604	12 353	13 141
Budget and treasury office		11 998	13 253	17 288	32 620	32 620	32 620	21 609	21 420	22 653
Corporate services		3 311	3 832	6 578	6 507	6 507	6 507	7 346	7 832	8 345
<i>Community and public safety</i>		3 838	3 729	3 597	4 725	4 725	4 725	5 027	5 337	5 621
Community and social services		1 851	1 741	1 464	2 375	2 375	2 375	2 467	2 608	2 756
Sport and recreation		1 584	1 479	1 523	1 676	1 676	1 676	1 399	1 491	1 587
Public safety		365	406	510	563	563	563	1 131	1 205	1 242
Housing		-	-	-	-	-	-	-	-	-
Health		39	102	100	112	112	112	30	33	36
<i>Economic and environmental services</i>		4 798	6 878	9 737	4 117	4 117	4 117	15 327	16 246	17 206
Planning and development		272	286	1 028	1 117	1 117	1 117	11 327	12 042	12 796
Road transport		4 526	6 592	8 709	3 000	3 000	3 000	4 000	4 204	4 410
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		32 041	43 432	42 190	43 103	43 103	43 103	47 289	47 942	48 514
Electricity		10 539	13 217	17 898	17 451	17 451	17 451	17 427	18 284	19 184
Water		6 823	12 825	7 608	8 891	8 891	8 891	11 853	10 572	10 208
Waste water management		7 580	8 799	9 356	9 662	9 662	9 662	10 388	11 006	10 918
Waste management		7 099	8 591	7 328	7 100	7 100	7 100	7 621	8 081	8 204
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	3	<b>62 656</b>	<b>79 013</b>	<b>93 054</b>	<b>103 331</b>	<b>103 331</b>	<b>103 331</b>	<b>108 202</b>	<b>111 130</b>	<b>115 480</b>
<b>Surplus/(Deficit) for the year</b>		<b>31 863</b>	<b>39 741</b>	<b>546</b>	<b>283</b>	<b>283</b>	<b>283</b>	<b>3</b>	<b>9</b>	<b>4</b>

Explanatory notes to Table 4 (Table A2) – Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of these functional areas which enables the National treasury to compile 'whole of government' reports.
2. Note the Total revenue in this table excludes capital revenues and therefore will not balance to the operating revenue which includes capital transfers shown in Table A4.
3. Note that as a general principle the revenues for the trading services should exceed their expenditures. The table highlights that this is not the case, because revenue is R34.2m while expenditure is 47.3m for the budget year. As already noted above, the tariffs of Phumelela local municipality are not cost reflective.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenue sources reflected under the Budget and Treasury office.

**Table 8 (Table A3) – Budgeted Financial Performance (revenue and expenditure by municipal vote)**

**FS195 Phumelela - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

C 135 Financials - Table A5 Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote)										
Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand										
Revenue by Vote	1									
Vote 1 - Council And Executive		112	1 631	1 620	760	760	760	-	-	-
Vote 2 - Financial And Administration Services		74 541	51 624	62 856	70 772	70 772	70 772	72 360	73 455	75 942
Vote 3 - Planning and Development		7	12	16	18	18	18	1 279	1 345	1 412
Vote 4 - Health		-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services		175	171	150	160	160	160	170	180	190
Vote 6 - Public Safety		94	87	110	200	200	200	200	211	222
Vote 7 - Sports and Recreation		-	-	-	-	-	-	-	-	-
Vote 8 - Waste Management		5 371	15 035	6 126	6 205	6 205	6 205	6 964	7 320	7 680
Vote 9 - Waste Water Management		5 395	14 184	6 338	6 292	6 292	6 292	6 653	6 994	7 339
Vote 10 - Road Transport		12	323	-	-	-	-	-	-	-
Vote 11 - Water		3 882	17 683	6 524	12 049	12 049	12 049	12 711	13 361	14 019
Vote 12 - Electricity		4 930	18 006	9 859	7 159	7 159	7 159	7 868	8 273	8 680
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	94 518	118 755	93 599	103 614	103 614	103 614	108 205	111 139	115 484
Expenditure by Vote to be appropriated	1									
Vote 1 - Council And Executive		6 670	7 890	13 663	12 259	12 259	12 259	11 604	12 353	13 141
Vote 2 - Financial And Administration Services		15 308	17 085	23 866	39 127	39 127	39 127	28 955	29 253	30 998
Vote 3 - Planning and Development		272	286	1 028	1 115	1 115	1 115	11 327	12 042	12 796
Vote 4 - Health		39	102	100	112	112	112	30	33	36
Vote 5 - Community and Social Services		1 851	1 741	1 464	2 375	2 375	2 375	2 467	2 608	2 756
Vote 6 - Public Safety		365	406	510	563	563	563	1 131	1 205	1 242
Vote 7 - Sports and Recreation		1 584	1 479	1 523	1 676	1 676	1 676	1 399	1 491	1 587
Vote 8 - Waste Management		7 099	8 591	7 328	7 101	7 101	7 101	7 621	8 081	8 204
Vote 9 - Waste Water Management		7 580	8 799	9 356	9 662	9 662	9 662	10 388	11 006	10 918
Vote 10 - Road Transport		4 526	6 592	8 709	3 000	3 000	3 000	4 000	4 204	4 410
Vote 11 - Water		6 823	12 825	7 608	8 891	8 891	8 891	11 853	10 572	10 208
Vote 12 - Electricity		10 539	13 217	17 898	17 451	17 451	17 451	17 427	18 284	19 184
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	62 655	79 013	93 053	103 331	103 331	103 331	108 202	111 130	115 480
Surplus/(Deficit) for the year	2	31 863	39 741	546	283	283	283	3	9	4

Explanatory notes to Table 6 (Table A3) – Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Phumelela Local Municipality. This means it is possible to present the operating surplus or deficit per a particular vote.

**Table 9 (Table A4) – Budgeted Financial Performance (revenue and expenditure)**

FS195 Phumelela - Table A4 Budgeted Financial Performance (revenue and expenditure)

City of Philadelphia - Table A: Budgeted Financial Performance (Revenue and expenditure)											
Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand	1										
<b>Revenue By Source</b>											
Property rates	2	4 091	5 799	6 677	5 706	5 706	5 706	-	7 005	7 363	7 725
Property rates - penalties & collection charges		-	-	100	-	-	-	-	-	-	-
Service charges - electricity revenue	2	4 743	4 924	6 718	6 627	6 627	6 627	-	7 323	7 698	8 075
Service charges - water revenue	2	3 429	4 869	5 859	11 343	11 343	11 343	-	12 005	12 618	13 238
Service charges - sanitation revenue	2	4 835	5 369	5 573	5 480	5 480	5 480	-	5 650	5 939	6 231
Service charges - refuse revenue	2	4 628	5 098	5 282	5 310	5 310	5 310	-	5 964	6 269	6 577
Service charges - other		-	473	27	-	-	-	-	-	-	-
Rental of facilities and equipment		632	906	702	1 770	1 770	1 770	-	1 771	1 865	1 965
Interest earned - external investments		180	211	612	650	650	650	-	665	700	735
Interest earned - outstanding debtors		2 186	2 114	2 615	2 879	2 879	2 879	-	3 208	3 374	3 543
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		95	87	111	201	201	201	-	210	222	234
Licences and permits		13	13	40	43	43	43	-	24	27	30
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		41 025	79 920	56 249	60 433	60 433	60 433	-	61 710	62 277	64 223
Other revenue	2	28 662	7 716	3 035	3 173	3 173	3 173	-	2 670	2 787	2 908
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>94 519</b>	<b>117 500</b>	<b>93 600</b>	<b>103 614</b>	<b>103 614</b>	<b>103 614</b>	<b>-</b>	<b>108 205</b>	<b>111 139</b>	<b>115 484</b>
<b>Expenditure By Type</b>											
Employee related costs	2	18 696	22 753	28 349	35 016	35 016	35 016	-	43 156	45 909	48 801
Remuneration of councillors		2 761	3 048	3 653	4 283	4 283	4 283	-	4 112	4 384	4 678
Debt impairment	3	9 173	11 720	6 046	5 266	5 266	5 266	-	11 455	9 290	7 301
Depreciation & asset impairment	2	17	285	3 950	4 179	4 179	4 179	-	2 478	2 607	2 737
Finance charges		618	486	390	483	483	483	-	460	486	512
Bulk purchases	2	7 794	12 857	13 209	15 541	15 541	15 541	-	13 546	14 602	15 738
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		-	2 077	1 864	1 971	1 971	1 971	-	2 350	2 472	2 594
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	23 597	24 532	35 592	36 592	36 592	36 592	-	30 645	31 381	33 119
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>62 656</b>	<b>77 758</b>	<b>93 054</b>	<b>103 331</b>	<b>103 331</b>	<b>103 331</b>	<b>-</b>	<b>108 202</b>	<b>111 130</b>	<b>115 480</b>
<b>Surplus/(Deficit)</b>		<b>31 863</b>	<b>39 741</b>	<b>546</b>	<b>283</b>	<b>283</b>	<b>283</b>	<b>-</b>	<b>3</b>	<b>9</b>	<b>4</b>
Transfers recognised - capital		-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>31 863</b>	<b>39 741</b>	<b>546</b>	<b>283</b>	<b>283</b>	<b>283</b>	<b>-</b>	<b>3</b>	<b>9</b>	<b>4</b>
Taxation		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>		<b>31 863</b>	<b>39 741</b>	<b>546</b>	<b>283</b>	<b>283</b>	<b>283</b>	<b>-</b>	<b>3</b>	<b>9</b>	<b>4</b>
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>31 863</b>	<b>39 741</b>	<b>546</b>	<b>283</b>	<b>283</b>	<b>283</b>	<b>-</b>	<b>3</b>	<b>9</b>	<b>4</b>
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>		<b>31 863</b>	<b>39 741</b>	<b>546</b>	<b>283</b>	<b>283</b>	<b>283</b>	<b>-</b>	<b>3</b>	<b>9</b>	<b>4</b>

Explanatory notes to Table 6 (Table A4)

1. Total revenue is envisaged to be R108.2m, escalates to R111.1m in 2014/15 and 115.5m in 2015/16.
2. Revenue to be generated from property rates is R7m in the 2013/14 financial year and increases to R7.3m by 2014/15 and has the lowest cost injected compared to all other charges of the Phumelela Local Municipality and therefore remains a major funding source for the municipality.
3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing steadily over the MTREF.
4. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in the future years, yet saving employment.

**Table 10 (Table A5) – Budgeted Capital Expenditure by vote, standard classification and funding source**

**FS195 Phumelela - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding**

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Council And Executive		-	-	-	-	-	-	-	-	-	-
Vote 2 - Financial And Administration Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Planning and Development		-	-	-	-	-	-	-	-	-	-
Vote 4 - Health		-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation		-	-	-	-	-	-	-	-	-	-
Vote 8 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 9 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 10 - Road Transport		-	-	-	-	-	-	-	-	-	-
Vote 11 - Water		-	-	-	-	-	-	-	-	-	-
Vote 12 - Electricity		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Council And Executive		-	-	3 500	1 985	1 985	1 985	-	2 264	1 040	1 051
Vote 2 - Financial And Administration Services		48	808	11 845	-	-	-	-	-	-	-
Vote 3 - Planning and Development		-	-	-	-	-	-	-	-	-	-
Vote 4 - Health		-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services		123	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	850	850	850	-	-	-	-
Vote 7 - Sports and Recreation		-	758	-	4 042	4 042	4 042	-	4 213	3 119	3 099
Vote 8 - Waste Management		106	-	-	1 500	1 500	1 500	-	50	-	-
Vote 9 - Waste Water Management		10 488	6 593	22 860	20 275	20 275	20 275	-	5 507	6 955	6 855
Vote 10 - Road Transport		14 834	7 086	7 622	3 907	3 907	3 907	-	4 500	7 073	177
Vote 11 - Water		2 752	6 157	31 790	49 625	49 625	49 625	-	30 293	32 609	39 839
Vote 12 - Electricity		280	2 273	-	4 500	4 500	4 500	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>28 631</b>	<b>23 675</b>	<b>77 617</b>	<b>86 684</b>	<b>86 684</b>	<b>86 684</b>	<b>-</b>	<b>46 827</b>	<b>50 796</b>	<b>51 021</b>
<b>Total Capital Expenditure - Vote</b>		<b>28 631</b>	<b>23 675</b>	<b>77 617</b>	<b>86 684</b>	<b>86 684</b>	<b>86 684</b>	<b>-</b>	<b>46 827</b>	<b>50 796</b>	<b>51 021</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		-	-	15 345	1 985	1 985	1 985	-	2 264	1 040	1 051
Executive and council		-	-	3 500	1 985	1 985	1 985	-	2 264	1 040	1 051
Budget and treasury office		-	-	11 845	-	-	-	-	-	-	-
Corporate services		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	-	-	4 892	4 892	4 892	-	4 213	3 119	3 099
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	4 042	4 042	4 042	-	4 213	3 119	3 099
Public safety		-	-	-	850	850	850	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	-	7 622	3 907	3 907	3 907	-	4 500	7 073	177
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	-	7 622	3 907	3 907	3 907	-	4 500	7 073	177
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	-	54 650	75 900	75 900	75 900	-	35 850	39 564	46 694
Electricity		-	-	-	4 500	4 500	4 500	-	-	-	-
Water		-	-	31 790	49 625	49 625	49 625	-	30 293	32 609	39 839
Waste water management		-	-	22 860	20 275	20 275	20 275	-	5 507	6 955	6 855
Waste management		-	-	-	1 500	1 500	1 500	-	50	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>77 617</b>	<b>86 684</b>	<b>86 684</b>	<b>86 684</b>	<b>-</b>	<b>46 827</b>	<b>50 796</b>	<b>51 021</b>
<b>Funded by:</b>											
National Government		18 222	12 630	32 940	26 624	26 624	26 624	-	45 277	50 796	51 021
Provincial Government		8 852	11 045	33 877	56 942	56 942	56 942	-	-	-	-
District Municipality		-	-	2 000	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>4</b>	<b>27 074</b>	<b>23 675</b>	<b>68 817</b>	<b>83 566</b>	<b>83 566</b>	<b>83 566</b>	<b>-</b>	<b>45 277</b>	<b>50 796</b>	<b>51 021</b>
<b>Public contributions &amp; donations</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>3 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internally generated funds</b>		<b>1 557</b>	<b>-</b>	<b>5 300</b>	<b>3 118</b>	<b>3 118</b>	<b>3 118</b>	<b>-</b>	<b>1 550</b>	<b>-</b>	<b>-</b>
<b>Total Capital Funding</b>	<b>7</b>	<b>28 631</b>	<b>23 675</b>	<b>77 617</b>	<b>86 684</b>	<b>86 684</b>	<b>86 684</b>	<b>-</b>	<b>46 827</b>	<b>50 796</b>	<b>51 021</b>

Explanatory notes to Table 7 (Table A5) – Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year budget appropriations. A total of R46.8m has been allocated for the 2013/14 financial year, R50.8m for the 2014/15 financial year and flattens out to R51m in the 2015/16 financial year.
3. The capital programme is funded from capital transfers from national and provincial government and internally generated funds from current year and envisaged surpluses.

**Table 11 (Table A6) – Budgeted Financial Position**

FS195 Phumelela - Table A6 Budgeted Financial Position

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		279	178	316	66	66	66		1 600	915	2 503
Call investment deposits	1	2 113	3 155	500	6 160	6 160	6 160	–	1 200	1 200	1 200
Consumer debtors	1	3 918	4 518	6 114	8 640	8 640	8 640	–	11 590	13 116	16 276
Other debtors		5 696	11 417	3 744	–	–	–		–	–	–
Current portion of long-term receivables		–	–	–	–	–	–		–	–	–
Inventory	2	6 397	6 757	6 474	6 757	6 757	6 757		7 432	8 176	8 993
<b>Total current assets</b>		<b>18 403</b>	<b>26 024</b>	<b>17 148</b>	<b>21 622</b>	<b>21 622</b>	<b>21 622</b>	<b>–</b>	<b>21 823</b>	<b>23 407</b>	<b>28 973</b>
<b>Non current assets</b>											
Long-term receivables		–	173	–	–	–	–		–	–	–
Investments		815	708	179	–	–	–		–	–	–
Investment property		36 593	7 547	28 693	–	–	–		–	–	–
Investment in Associate		–	–	–	–	–	–		–	–	–
Property, plant and equipment	3	157 071	214 229	267 572	332 438	332 438	332 438	–	336 025	333 506	327 062
Agricultural		–	–	–	–	–	–		–	–	–
Biological		–	–	–	–	–	–		–	–	–
Intangible		–	–	–	–	–	–		–	–	–
Other non-current assets		–	7 354	–	–	–	–		–	–	–
<b>Total non current assets</b>		<b>194 479</b>	<b>230 011</b>	<b>296 444</b>	<b>332 438</b>	<b>332 438</b>	<b>332 438</b>	<b>–</b>	<b>336 025</b>	<b>333 506</b>	<b>327 062</b>
<b>TOTAL ASSETS</b>		<b>212 882</b>	<b>256 035</b>	<b>313 592</b>	<b>354 060</b>	<b>354 060</b>	<b>354 060</b>	<b>–</b>	<b>357 848</b>	<b>356 913</b>	<b>356 035</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	–	–	–	–	–	–		–	–	–
Borrowing	4	126	490	546	615	615	615	–	–	–	–
Consumer deposits		243	234	253	287	287	287		316	347	382
Trade and other payables	4	20 074	45 686	3 412	4 509	4 509	4 509	–	3 917	4 078	4 330
Provisions		–	–	–	–	–	–		–	–	–
<b>Total current liabilities</b>		<b>20 443</b>	<b>46 410</b>	<b>4 211</b>	<b>5 410</b>	<b>5 410</b>	<b>5 410</b>	<b>–</b>	<b>4 232</b>	<b>4 426</b>	<b>4 712</b>
<b>Non current liabilities</b>											
Borrowing		1 566	3 067	2 855	1 926	1 926	1 926	–	5 406	3 768	2 599
Provisions		1 558	3 306	1 456	3 500	3 500	3 500	–	4 983	5 483	5 483
<b>Total non current liabilities</b>		<b>3 124</b>	<b>6 373</b>	<b>4 311</b>	<b>5 426</b>	<b>5 426</b>	<b>5 426</b>	<b>–</b>	<b>10 389</b>	<b>9 251</b>	<b>8 082</b>
<b>TOTAL LIABILITIES</b>		<b>23 567</b>	<b>52 784</b>	<b>8 522</b>	<b>10 836</b>	<b>10 836</b>	<b>10 836</b>	<b>–</b>	<b>14 621</b>	<b>13 676</b>	<b>12 794</b>
<b>NET ASSETS</b>	5	<b>189 315</b>	<b>203 252</b>	<b>305 070</b>	<b>343 224</b>	<b>343 224</b>	<b>343 224</b>	<b>–</b>	<b>343 227</b>	<b>343 236</b>	<b>343 241</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		189 315	203 252	305 070	343 224	343 224	343 224		343 227	343 236	343 241
Reserves	4	–	–	–	–	–	–	–	–	–	–
Minorities' interests		–	–	–	–	–	–	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>189 315</b>	<b>203 252</b>	<b>305 070</b>	<b>343 224</b>	<b>343 224</b>	<b>343 224</b>	<b>–</b>	<b>343 227</b>	<b>343 236</b>	<b>343 241</b>

Explanatory notes to table 13 (Table A6) – Budget Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understanding for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets and Liabilities as “accounting” Community Wealth or Equity. The order of items within each group illustrates requirements to be met from cash, and appears first.

3. Table A6 provides a detailed analysis of the major components of a number of items, including:
  - a. Call investments deposits;
  - b. Consumer debtors;
  - c. Property, plant and equipment;
  - d. Trade and other payables;
  - e. Non-current Provisions;
  - f. Changes in net assets; and
  - g. Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalent at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 12 (Table A7) – Budgeted Cash Flow Statement**

FS195 Phumelela - Table A7 Budgeted Cash Flows

FS 195 Prumelela - Table A/ Budgeted Cash Flows												
Description		Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>												
<b>Receipts</b>												
Ratepayers and other			30 197	28 551	34 448	36 347				39 805	39 371	43 885
Government - operating		1	69 030	48 861	55 346	60 433				61 710	62 277	64 223
Government - capital		1	–	55 058	68 817	–				45 277	50 796	51 021
Interest			180	620	250	650				632	700	735
Dividends			–	–	–	–				–	–	–
<b>Payments</b>												
Suppliers and employees			(64 683)	(75 004)	(94 264)	(93 403)				(100 298)	(102 767)	(106 975)
Finance charges			(618)	(367)	(444)	(483)				(250)	(265)	(280)
Transfers and Grants		1	–	–	–	–				–	–	–
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>			<b>34 105</b>	<b>57 719</b>	<b>64 153</b>	<b>3 544</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>46 876</b>	<b>50 111</b>	<b>52 609</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
<b>Receipts</b>												
Proceeds on disposal of PPE			–	–	–	–				–	–	–
Decrease (Increase) in non-current debtors			–	–	–	–				–	–	–
Decrease (increase) other non-current receivables			–	–	–	–				–	–	–
Decrease (increase) in non-current investments			603	–	654	–				–	–	–
<b>Payments</b>												
Capital assets			(28 691)	(57 158)	(68 817)	(3 068)				(45 277)	(50 796)	(51 021)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>			<b>(28 088)</b>	<b>(57 158)</b>	<b>(68 163)</b>	<b>(3 068)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(45 277)</b>	<b>(50 796)</b>	<b>(51 021)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
<b>Receipts</b>												
Short term loans			–	–	–	–				–	–	–
Borrowing long term/refinancing			–	2 100	–	–				–	–	–
Increase (decrease) in consumer deposits			7	5	5	–				–	–	–
<b>Payments</b>												
Repayment of borrowing			(86)	–	(546)	(918)				–	–	–
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>			<b>(79)</b>	<b>2 105</b>	<b>(541)</b>	<b>(918)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>			<b>5 939</b>	<b>2 666</b>	<b>(4 551)</b>	<b>(442)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 599</b>	<b>(685)</b>	<b>1 588</b>
Cash/cash equivalents at the year begin:		2	<b>(3 546)</b>	<b>2 392</b>	<b>5 059</b>	<b>508</b>				<b>2</b>	<b>1 600</b>	<b>915</b>
Cash/cash equivalents at the year end:		2	<b>2 392</b>	<b>5 059</b>	<b>508</b>	<b>66</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 600</b>	<b>915</b>	<b>2 503</b>

Explanatory notes to Table 14 (Table A7) Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The 2013/14 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term

**Table 13 (Table A8) – Cash Backed Reserves/Accumulated Surplus Reconciliation**

FS195 Phumelela - Table A8 Cash backed reserves/accumulated surplus reconciliation

PS 195 Prithivara - Table A6 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	2 392	5 059	508	66	–	–	–	1 600	915	2 503
Other current investments > 90 days		(0)	(1 726)	308	6 160	6 226	6 226	–	1 200	1 200	1 200
Non current assets - Investments	1	815	708	179	–	–	–	–	–	–	–
<b>Cash and investments available:</b>		<b>3 207</b>	<b>4 041</b>	<b>995</b>	<b>6 226</b>	<b>6 226</b>	<b>6 226</b>	<b>–</b>	<b>2 800</b>	<b>2 115</b>	<b>3 703</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		3 979	4 852	–	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2	–	–	–	–	–	–	–	–	–	–
Other working capital requirements	3	10 154	28 527	(5 831)	(2 875)	4 509	4 509	–	(6 150)	(6 644)	(9 807)
Other provisions		–	–	–	–	–	–	–	–	–	–
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
<b>Total Application of cash and investments:</b>		<b>14 133</b>	<b>33 379</b>	<b>(5 831)</b>	<b>(2 875)</b>	<b>4 509</b>	<b>4 509</b>	<b>–</b>	<b>(6 150)</b>	<b>(6 644)</b>	<b>(9 807)</b>
<b>Surplus(shortfall)</b>		<b>(10 926)</b>	<b>(29 338)</b>	<b>6 826</b>	<b>9 101</b>	<b>1 717</b>	<b>1 717</b>	<b>–</b>	<b>8 951</b>	<b>8 759</b>	<b>13 510</b>

Explanatory notes to Table 15 (Table A8) – Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Compliance with section 18 of the MFMA is assumed because a surplus indirectly indicates that the annual budget is appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2012/2013 MTREF was not funded owing to the realised deficit.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2013/14 MTREF the end objective of the medium-term framework was to ensure the budget is funded in alignment to section 18 of the MFMA.

**Table 14 (Table A9) – Asset Management**

FS195 Phumelela - Table A9 Asset Management

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand										
CAPITAL EXPENDITURE										
<b>Total New Assets</b>	1	28 631	23 675	77 617	86 684	86 684	86 684	46 827	50 796	51 021
Infrastructure - Road transport		14 834	7 086	7 622	3 907	3 907	3 907	4 500	7 073	177
Infrastructure - Electricity		280	2 273	—	4 500	4 500	4 500	—	—	—
Infrastructure - Water		2 752	6 157	31 790	49 625	49 625	49 625	30 293	32 609	39 839
Infrastructure - Sanitation		10 488	6 593	22 860	20 275	20 275	20 275	5 507	6 955	6 855
Infrastructure - Other		106	—	—	1 500	1 500	1 500	1 314	1 040	1 051
Infrastructure		28 460	22 109	62 272	79 807	79 807	79 807	41 614	47 677	47 922
Community		48	1 566	11 845	4 042	4 042	4 042	4 213	3 119	3 099
Heritage assets		—	—	—	—	—	—	—	—	—
Investment properties		—	—	—	—	—	—	—	—	—
Other assets	6	123	—	3 500	2 835	2 835	2 835	1 000	—	—
Agricultural Assets		—	—	—	—	—	—	—	—	—
Biological assets		—	—	—	—	—	—	—	—	—
Intangibles		—	—	—	—	—	—	—	—	—
Total Renewal of Existing Assets										
Infrastructure - Road transport	2	—	—	—	—	—	—	—	—	—
Infrastructure - Electricity		—	—	—	—	—	—	—	—	—
Infrastructure - Water		—	—	—	—	—	—	—	—	—
Infrastructure - Sanitation		—	—	—	—	—	—	—	—	—
Infrastructure - Other		—	—	—	—	—	—	—	—	—
Infrastructure		—	—	—	—	—	—	—	—	—
Community		—	—	—	—	—	—	—	—	—
Heritage assets		—	—	—	—	—	—	—	—	—
Investment properties		—	—	—	—	—	—	—	—	—
Other assets	6	—	—	—	—	—	—	—	—	—
Agricultural Assets		—	—	—	—	—	—	—	—	—
Biological assets		—	—	—	—	—	—	—	—	—
Intangibles		—	—	—	—	—	—	—	—	—
Total Capital Expenditure										
Infrastructure - Road transport	4	14 834	7 086	7 622	3 907	3 907	3 907	4 500	7 073	177
Infrastructure - Electricity		280	2 273	—	4 500	4 500	4 500	—	—	—
Infrastructure - Water		2 752	6 157	31 790	49 625	49 625	49 625	30 293	32 609	39 839
Infrastructure - Sanitation		10 488	6 593	22 860	20 275	20 275	20 275	5 507	6 955	6 855
Infrastructure - Other		106	—	—	1 500	1 500	1 500	1 314	1 040	1 051
Infrastructure		28 460	22 109	62 272	79 807	79 807	79 807	41 614	47 677	47 922
Community		48	1 566	11 845	4 042	4 042	4 042	4 213	3 119	3 099
Heritage assets		—	—	—	—	—	—	—	—	—
Investment properties		—	—	—	—	—	—	—	—	—
Other assets		123	—	3 500	2 835	2 835	2 835	1 000	—	—
Agricultural Assets		—	—	—	—	—	—	—	—	—
Biological assets		—	—	—	—	—	—	—	—	—
Intangibles		—	—	—	—	—	—	—	—	—
TOTAL CAPITAL EXPENDITURE - Asset class										
	2	28 631	23 675	77 617	86 684	86 684	86 684	46 827	50 796	51 021
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport	5	28 741	41 067	47 689	47 417	47 417	47 417	47 417	48 708	48 708
Infrastructure - Electricity		6 100	8 910	8 440	12 940	12 940	12 940	12 940	14 230	14 230
Infrastructure - Water		49 954	63 666	94 646	144 271	144 271	144 271	143 679	134 169	133 667
Infrastructure - Sanitation		53 587	70 387	92 047	98 317	98 317	98 317	98 317	99 607	90 567
Infrastructure - Other		—	—	—	—	—	—	—	—	—
Infrastructure		138 382	184 030	242 822	302 946	302 946	302 946	302 353	296 714	287 172
Community		—	—	—	4 042	4 042	4 042	8 255	11 375	14 473
Heritage assets		—	—	—	—	—	—	—	—	—
Investment properties		36 593	7 547	28 693	—	—	—	—	—	—
Other assets		18 689	30 199	24 750	25 450	25 450	25 450	25 417	25 417	25 417
Agricultural Assets		—	—	—	—	—	—	—	—	—
Biological assets		—	—	—	—	—	—	—	—	—
Intangibles		—	—	—	—	—	—	—	—	—
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)										
	5	193 664	221 776	296 265	332 438	332 438	332 438	336 025	333 506	327 062
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		17	285	3 950	4 179	4 179	4 179	2 478	2 607	2 737
Repairs and Maintenance by Asset Class	3	6 045	6 296	6 817	4 410	4 410	4 410	10 066	10 610	11 159
Infrastructure - Road transport		1 062	1 347	1 672	—	—	—	4 500	4 730	4 962
Infrastructure - Electricity		1 284	1 912	1 200	—	—	—	1 400	1 472	1 545
Infrastructure - Water		851	1 365	883	2 700	2 700	2 700	1 000	1 051	1 103
Infrastructure - Sanitation		588	217	655	—	—	—	1 000	1 051	1 103
Infrastructure - Other		471	—	300	—	—	—	360	379	398
Infrastructure		4 256	4 841	4 710	2 700	2 700	2 700	8 260	8 683	9 111
Community		—	—	—	—	—	—	—	—	—
Heritage assets		—	—	—	—	—	—	—	—	—
Investment properties		—	—	—	—	—	—	—	—	—
Other assets	6, 7	1 789	1 455	2 107	1 710	1 710	1 710	1 806	1 927	2 048
TOTAL EXPENDITURE OTHER ITEMS										
		6 062	6 581	10 767	8 589	8 589	8 589	12 544	13 217	13 896
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M as a % of PPE		3.8%	2.9%	2.5%	1.3%	1.3%	1.3%	3.0%	3.2%	3.4%
Renewal and R&M as a % of PPE		3.0%	3.0%	2.0%	1.0%	1.0%	1.0%	3.0%	3.0%	3.0%



Explanatory notes to Table 16 (Table A9) – Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 percent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be at least 10% of PPE. Phumelela Local Municipality does not meet any of these recommendations. The reason for this is that the capital budget of the municipality is funded in the form of conditional grants, and these can only be used for new assets as opposed to being used for the renewal of existing assets.

**Table 15 (Table A10) – Basic Service Delivery Measurement**

FS195 Phumelela - Table A10 Basic service delivery measurement

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling										
Piped water inside yard (but not in dwelling)										
Using public tap (at least min.service level)	2									
Other water supply (at least min.service level)	4									
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Using public tap (< min.service level)	3									
Other water supply (< min.service level)	4									
No water supply										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)										
Flush toilet (with septic tank)										
Chemical toilet										
Pit toilet (ventilated)										
Other toilet provisions (> min.service level)										
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Bucket toilet										
Other toilet provisions (< min.service level)										
No toilet provisions										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Energy:</b>										
Electricity (at least min.service level)										
Electricity - prepaid (min.service level)										
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Refuse:</b>										
Removed at least once a week										
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Removed less frequently than once a week										
Using communal refuse dump										
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		3	3		36 825			36 825	36 825	36 825
Sanitation (free minimum level service)		-	-		-			-	-	-
Electricity /other energy (50kwh per household per month)		3	2		1 498			1 498	1 498	1 498
Refuse (removed at least once a week)		-	-		-			-	-	-
<b>Cost of Free Basic Services provided (R'000)</b>	8									
Water (6 kilolitres per household per month)		174	189		-			122	128	134
Sanitation (free sanitation service)		-	-		-			45	47	49
Electricity /other energy (50kwh per household per month)		253	194		-			111	117	122
Refuse (removed once a week)		-	-		-			27	28	29
<b>Total cost of FBS provided (minimum social package)</b>		427	383	-	-	-	-	304	319	335
<b>Highest level of free service provided</b>										
Property rates (R value threshold)		45 000	45 000		45 000			45 000	45 000	45 000
Water (kilolitres per household per month)		6	6		6			6	6	6
Sanitation (kilolitres per household per month)		-	-		-			-	-	-
Sanitation (Rand per household per month)		-	-		-			-	-	-
Electricity (kwh per household per month)		50	50		50			50	50	50
Refuse (average litres per week)		-	-		-			-	-	-
<b>Revenue cost of free services provided (R'000)</b>	9									
Property rates (R15 000 threshold rebate)		-	-	1 902	1 902			989	1 040	1 091
Property rates (other exemptions, reductions and rebates)		-	-	-	-			-	-	-
Water		-	-	-	-			1 500	1 577	1 655
Sanitation		-	-	-	-			1 000	1 051	1 103
Electricity /other energy		-	-	-	-			200	211	222
Refuse		-	-	-	-			500	526	552
Municipal Housing - rental rebates		-	-	-	-			-	-	-
Housing - top structure subsidies		-	-	-	-			-	-	-
Other		-	-	-	-			-	-	-
<b>Total revenue cost of free services provided (total social package)</b>	6	-	-	1 902	1 902	-	-	4 189	4 405	4 623

## Explanatory notes to Table 17 (Table A10) – Basic Service Delivery Measurement

1. The budget provides for 2500 households to be registered as indigent in 2013/14, and therefore entitled to receiving Free Basic Services. The number is set to increase to 3000 households given the fact that the indigent register is updated and therefore becomes a reliable source.
2. The cost of the Free Basic Services will be covered by the municipality's equitable share allocation from the national government.
3. This revenue foregone needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 regulation 4 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and Senior Managers, Budget Manager, IDP Manager, PMU Manager of the municipality meeting under the chairpersonship of the Council Committee for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the PLM's IDP and the budget, taking into account the need to protect the financial sustainability of the municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 Planning

In terms of section 21 of MFMA the Mayor is required to table in council ten months before the start of the new financial year (i.e. in August 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

Key IDP and Budget time Schedule of Events				
IDP PHASES	DELIVERABLES AND PROCESS	RESPONSIBILITY	OUTPUT	DATES
PREPARATION PLAN	Development of the IDP and Budget Process Plan	IDP Manager and Budget and Treasury Manager	Approved IDP and Budget Process Plan	August 2012
	Draft Process Plan to IDP and Budget Steering Committee	IDP Manager and Budget and Treasury Manager		24 August 2012
	Tabling of the IDP and Budget Process Plan to Council	Municipal Manager		31 August 2012
	Advertising of the IDP and Budget Process Plan	IDP Manager and Budget and Treasury		03 Septem

		Manager		ber 2012
<b>ANALYSIS PHASE</b>	Compilation of existing information, community stakeholder level analysis on environment, economic, institutional, spatial, infrastructure and cross cutting issues.	IDP Manager	Determine and assess the current level of development and what are emerging challenges, opportunities and priority issues.	01-05 October 2012
	Committees and consultation forum for the budget process	Chairperson: Standing Committee on Finance and IDP		01 November 2012
	Briefing session with the standing committee on Finance and IDP committee by the Municipal Manager	Municipal Manager and CFO		08 November 2012
	One day briefing session with Senior Management Team, EXCO and Councillors	Municipal Manager		22 November 2012
<b>STRATEGIES PHASE</b>	Compile ward based strategic guidelines on SDF, WSDP, CPI, Housing Sector Plan, LED, Infrastructure development, Institutional Capacity and Environmental issues, define resources frames (financial strategies), deciding on alternatives for ward based specific issues, identify and/or review projects.	IDP Manager	Develop and/or refine objectives for priority issues.	November 2012
	IDP steering committee to review emerging issues/changes and to prioritize IDP and Budget items	Management and Chairperson IDP and Finance Standing Committee	Determine programmes to achieve the municipal strategic intent.	23 January 2013
	Management to submit budget inputs on capital projects	Municipal Manager	Develop organisational score card.	19 December 2012
	Refining municipal strategies, objectives, KPA's, KPI's and targets	Management Team		01 February 2013
	Initiate public participation process inline with MTREF	Office of the Speaker		07 February 2013
	EXCO Lekgotla to confirm IDP, SDBIP, and Budget priorities	Municipal Manager		21 February 2013
	EXCO approves the municipal objective, strategies, KPI's and targets	Municipal Manager		28 February 2013
	Review tariffs and budget policies	CFO		21 February 2013
<b>PROJECT PHASE</b>	Prioritisation of projects per ward on MTREF basis and setting of key performance indicators for each project in consultation with the community.	IDP Manager and Performance Manager	Identify projects and set output and targets	Feb 2013
	Set and agree on IDP priority issues/projects	Municipal Manager and Management Team		26 February 2013
	Review and align National and Provincial allocations for inclusion in the Draft IDP	Municipal Manager and CFO	Agree on the spatial	25 February

	and MTREF budget.		location of the projects	y 2013
	Draft MTREF Budget developed	CFO	Develop draft budget	25 February 2013
	Directorates develop draft 2013/14 SDBIP and present to standing committee IDP and Budget.	PMS Manager		06 March 2013
	One year multi-year scorecard revised and presented to EXCO	Municipal Manager		13 March 2013
<b>INTEGRATION PHASE</b>	Institutional plan refined to deliver on the municipal strategy	Manager Corporate Services	Integrate and align with sector plans	19 March 2013
	Directorates identifying programmes and projects with external stakeholders	All Managers	Incorporate programmes and projects into IDP	25 March 2013
	Integration of sector plans and institutional programmes.	IDP Manager		25 March 2013
	Horizontal and vertical alignment with District, Province and other stakeholders	IDP Manager		26 March 2013
	Financial plan and Capital investment plan developed	CFO		26 March 2013
<b>APPROVAL PHASE</b>	Tabling of the Draft IDP including proposed revisions and MTREF Budget and related resolutions for Phumelela Local Municipality	Municipal Manager	Approved IDP, Budget and SDBIP	29 March 2013
	Advertise the Draft MTREF Budget and IDP for public inputs and comments	Municipal Manager		03 April 2013
	Submission of Draft IDP and MTREF Budget to MEC's of Treasury and Cooperative Governance and traditional Affairs and National.	IDP Manager and Budget and Treasury Manager		03 April 2013
	Public Participation process including hearings on Draft IDP and Budget.	IDP Manager and Budget and Treasury Manager		17 April 2013
	IDP and Budget Lekgotla (Strategic Planning Session)	IDP Manager		07-09 May 2013
	Special council meeting to consider submissions, representation and recommendations from hearings. Mayor to be provided with an opportunity to respond to submissions during consultations and table amendments to council consideration.	Council		20 May 2013
	Mayor with the support of EXCO to recommend approval by council after considering inputs from council and other sectors.	Mayor		27 May 2013
	Council meetings to approve the MTREF Budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for	Council		28 June 2013

	revenue by source and expenditure by vote before the start of the budget year.			
	Publication of the approved IDP and Budget for 2013/14	IDP		04 June 2013
	Compilation and submission of Draft 2013/2014 SDBIP and annual performance agreements by the Municipal Manager to the Mayor.	Municipal Manager	Approved SDBIP and Annual Performance Agreements	June 2013
	Mayor approves the 2013/2014 SDBIP and annual performance agreements of the Municipal Manager and Senior Managers within 28 days after the approval of IDP and Budget. Mayor ensures that the annual performance agreements are linked to the measurable performance objectives approved with the budget and SDBIP.	Mayor		17 June 2013
	The Mayor submits the approved SDBIP and Performance Agreements to council, MEC for Cooperative Governance, Traditional affairs and Human Settlements and makes public within 14 days after approval	Council, Mayor, Municipal Manager and IDP Manager		28 June 2013
<b>MONITORING AND EVALUATION PHASE</b>	Quarterly SDBIP performance progress report for the first quarter of 2012/2013 financial year, to Internal Audit, Audit Committee, Management team, EXCO, Standing Committee and Council.	PMS Manager	Approved SDBIP performance reports	October 2012
	Managers Quarterly assessment for the first quarter of 2012/2013	Municipal Manager	Service delivery performance assessed	October 2012
	Quarterly Audit Committee meeting for the first quarter of 2012/2013 for evaluation of section 57 managers final assessments	Internal Audit		October 2012
	Quarterly SDBIP performance progress report for the second quarter of 2012/2013 financial year, to Internal Audit, Audit Committee, Management Team, EXCO, Standing Committee and Council.	PMS Manager	Approved SDBIP Performance Reports	January 2013
	Managers Quarterly assessment for the second quarter of 2012/2013	Municipal Manager	Service delivery performance assessed	January 2013
	Quarterly Audit Committee meeting for the second quarter of 2012/2013 for evaluation of section 57 managers final assessments	Internal Audit		January 2013
	Mid-term budget and performance assessment	PMS Manager	Mid-term finance and service delivery performance report	24 January 2013

Review of the current budget and preparation of the adjustment budget for approval by council	CFO & Manager Budget and Treasury	Approved adjustment budget	24 January 2013
Publicise the adjustment budget on the website and local newspapers	CFO & Budget and Treasury Manager		25 January 2013
Quarterly SDBIP performance progress report for the third quarter of 2012/2013 financial year to Internal Audit, Audit Committee, Management Team, EXCO, Standing Committee and Council.	PMS Manager	Approved SDBIP performance reports	April 2013
Managers quarterly assessment for the third quarter of the 2012/2013 financial year	Municipal Manager	Service delivery performance assessed	April 2013
Quarterly Audit Committee meeting for the third quarter of 2012/2013 for evaluation of section 57 managers' final assessment.	Internal Audit		April 2013
Quarterly SDBIP Performance progress report for the fourth quarter of the 2012/2013 financial year to Internal Audit, Audit Committee, Management Team, EXCO, Standing Committee and Council.	PMS Manager	Approved SDBIP performance reports	July 2013
Managers quarterly assessment for the fourth quarter of 2012/2013	Municipal Manager	Service delivery performance assessed	July 2013
Quarterly Audit Committee meeting for the fourth quarter of 2012/2013 for evaluation of section 57 managers final assessments	Internal Audit		July 2013
Auditor General audit of performance measures	Auditor General	Audit Service Delivery Performance	September 2012
Compile Annual report for 2011/2012 and forward it to AG	PMS Manager	Compile annual report	September 2012
Annual report submitted to EXCO and standing committee governance	Mayor and Municipal Manager	Oversight report approved	November 2012
Mayor tables the annual report for 2011/2012 of Phumelela Local Municipality to council	Mayor		24 January 2013
Mayor Tables an adjustment budget for 2012/2013 to council	Mayor		24 January 2013
Advertise Annual Report on the municipal website and local newspapers.	PMS Manager		25 January 2013
Make public the annual report and invite community inputs into report.	PMS Manager		04 February 2013
Submit the annual report to the Auditor General, MEC's of Cooperative Governance and traditional affairs and	PMS Manager		04 February 2013

	Treasury.			
	Council to consider and adopt an oversight report, due by 31 March 2013	PMS Manager		29 March 2013
	Publicise the Annual Oversight Report within seven days of adoption	PMS Manager		April 2013
	Within seven days of adoption of Oversight Report submit to the Provincial Legislature/MEC Local Government the annual report of Phumelela Local Municipality and the oversight report on those annual reports.	PMS Manager		April 2013
<b>PREPARATION PHASE FOR THE 2013/14 MTREF PERIOD</b>	Annual review organisational KPI's	PMS Manager	Develop and/or review performance measures	June 2013
	Review annual organisational performance targets	PMS Manager		June 2013
	Community input into organisation KPI's and targets	PMS Manager		June 2013

There were minor deviations from the key dates set out in the Budget Time Schedule tabled in Council.

### 2.1.2 IDP, Service Delivery and Budget Implementation Plan

This is the seventh review of the IDP as adopted by council in May 2006. It started in September 2012 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2013/14 MTREF in August.

The PLM's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly informs the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following Key IDP Processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring process.

The IDP has been taken into a business and financial planning process leading up to the 2013/14 MTREF, based on the approved 2012/13 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2013/2014 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the Mid-year and third quarter performance against the 2012/2013 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detailed operating budget appropriations and three-year capital programme.

### 2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2013/2014 MTREF, an extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of this MTREF:



- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation)
- Performance trends
- The approved 2012/2013 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 66 and 67 has been taken into consideration in the planning and prioritisation process.

#### **2.1.4 Community Consultation**

The draft 2013/2014 MTREF as tabled before Council on 28 March 2013 for community consultation has been published on the municipality's website, and hard copies were made available at municipal offices and other community centres. In addition budget road shows were held in different municipal clusters. Inputs were also collected via e-mails.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees and substructures were utilised to facilitate the community consultation process from 13 April to 17 May 2012. The applicable dates and venues were published in all the local newspapers. Imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions, farmers union and community based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2013/2014 MTREF. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The PLM is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- The affordability of tariff increases, especially property rates for the agriculture, was raised on numerous occasions.
- Pensioners cannot afford the tariff increases due to low annual pension increases; and

Significant changes effected in the final 2013/14 MTREF compared to the tabled draft 2013/14 MTREF that was tabled for community consultation, include:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 July 2013, was factored into the proposed consumer tariffs, applicable from 1 July 2013. This resulted in an overall increase of 7 percent as per final annexure to circular 67 issued on 24 April 2013. The 7 percent increase was reached after robust consideration of the following cost increment:

- ✓ bulk purchases increase of 7.3 percent in line with Eskom electricity tariff increase to municipalities;
  - ✓ a consumer price index (CPI) of 5.5 percent;
  - ✓ salary and wage increases of CPI plus 1.25 percent, as indicated in the Salary and Wage Collective Agreement; and
  - ✓ repairs and maintenance, capital charges and other inflation related cost increases.
- The 2013 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations.

## **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (PGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIS);
- Accelerated and Shared Growth Initiative of South Africa (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP);
- The National Priority Outcomes; and
- National Development Plan

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's six strategic objectives for the 2013/2014 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 16 – IDP Strategic Objectives**

<b>2013/14 Financial Year</b>
1. Provision of quality basic services and infrastructure 2. Economic growth and development that leads to sustainable job creation 3.1 Fight poverty and build clean, healthy, safe and sustainable communities 3.2 Integrated Social Services for empowered and sustainable communities 4. Foster participatory democracy and Batho-Pele principles through a caring, accessible and accountable service 5.1 Promote sound governance 5.2 Ensure financial sustainability 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the PLM to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide planning services (Town Planning); and
  - Maintaining the infrastructure of the PLM.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the PLM;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
3. Fight poverty and build clean, healthy, safe and sustainable communities:
  - Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective PLM cleansing;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.

4. Integrated Social Services for empowered and sustainable communities
  - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
5. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
  - Optimising effective community participation in the ward committee system; and
  - Implementing Batho Pele in the revenue management strategy.
6. Promote sound governance through:
  - Publishing the outcomes of all tender processes on the municipal website
7. Ensure financial sustainability through:
  - Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
8. Optimal institutional transformation to ensure capacity to achieve set objectives
  - Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the PLM. The five-year programme responds to the development challenges and opportunities faced by the PLM by identifying the key performance areas to achieve the five strategic objectives mentioned above.

In addition to the five-year IDP, the PLM undertakes an extensive planning and developmental strategy which primarily focuses on a longer term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the PLM so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the PLM's IDP, associated sectorial plans and strategies, and the allocation of resources of the PLM and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fifth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the PLM;
- Initiating zone planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2013/14 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 17 (Table SA4) – Reconciliation between the IDP strategic objectives and the budget revenue**

**FS195 Phumelela - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)**

Strategic Objective	Goal	Goal Code	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	
R thousand													
100% Households in formal settlement have access to basic level of water: 2014	Proper water distribution and management			24 805	17 683	28 773	12 049	12 049	12 049	12 711	13 361	14 019	
100% Households in formal settlement have access to basic level of sanitation: 2014	Proper sewerage and sanitation management			–	14 184	–	6 292	6 292	6 292	6 653	6 994	7 339	
To ensure that identified internal roads in the Phumelela municipal area are maintained and upgraded to facilitate economic & social activity required for the sustainable development of municipality; considering the capacity limitations facing the municipality	To maintain and upgrade internal roads in order to facility economic and social activity			–	323	–	1 334	1 334	1 334	–	–	–	
To create employment opportunities in the Phumelela municipal area; resulting from programmes and projects of this IDP	To create employment opportunities in local and rural areas			–	–	–	–	–	–	–	–	–	
To facilitate the financial viability of the Phumelela local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001	To ensure financial viability in terms of budget and treasury & assessment rates			68 726	50 719	60 741	65 136	65 136	65 136	68 554	69 450	71 731	
To facilitate institutional transformation and development in the Phumelela local municipality	To ensure institutional transformation and development in terms of Corporate services, Property services and Property services: Commonage			876	905	2 466	4 302	4 302	4 302	3 806	4 005	4 211	
To ensure good governance in the Phumelela local municipality	Ensure good governance in the office of the mayor, council, municipal manager & town planning			112	1 643	1 620	778	778	778	1 279	1 345	1 412	
To ensure good waste management in the Phumelela municipal area	Ensure good solid waste management			–	15 035	–	6 205	6 205	6 205	6 964	7 320	7 680	
To ensure good that 100% of households in the Phumelela municipal area have access to electricity by 2014	To ensure proper electricity distribution			–	18 006	–	7 159	7 159	7 159	7 868	8 273	8 680	
To ensure effective management of grave yards and cemeteries in the Phumelela municipal area	To ensure proper management of cemetery and parks			–	171	–	159	159	159	160	169	178	
To ensure access to quality sport and recreational in the Phumelela municipal area	To ensure proper management of the library, sport and recreational facilities			–	1	–	1	1	1	10	11	12	
To ensure effective traffic management and parking in the Phumelela municipal area	To ensure proper traffic control			–	87	–	200	200	200	200	211	222	
To ensure effective firefighting in the Phumelela municipal area	To ensure proper fire fighting			–	–	–	–	–	–	–	–	–	
No strategic Objective in IDP	Health			–	–	–	–	–	–	–	–	–	
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	94 519	118 755	93 600	103 614	103 614	103 614	108 205	111 139	115 484

**Table 18 (Table SA5) – Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

FS195 Phumelela - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

0155 Phumelela - Supporting table 3A3 Reconciliation of IDP strategic objectives and budget (operating expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	
R thousand													
100% Households in formal settlement have access to basic level of water: 2014	Proper water distribution and management			-		-	8 891	8 891	8 891	11 853	10 572	10 208	
100% Households in formal settlement have access to basic level of sanitation: 2014	Proper sewerage and sanitation management			-		-	9 661	9 661	9 661	10 388	11 006	10 918	
To ensure that identified internal roads in the Phumelela municipal area are maintained	To maintain and upgrade internal roads in order to facility economic and social			-		-	14 193	14 193	14 193	4 000	4 204	4 410	
To create employment opportunities in the Phumelela municipal area; resulting from	To create employment opportunities in local and rural areas			-		-	50	50	50	-	-	-	
To facilitate the financial viability of the Phumelela local municipality as measured in	To ensure financial viability in terms of budget and treasury & assessment rates			-		-	21 426	21 426	21 426	21 590	22 259	23 730	
To facilitate institutional transformation and development in the Phumelela	To ensure institutional transformation and development in terms of			-		-	6 507	6 507	6 507	7 346	7 832	8 345	
To ensure good governance in the Phumelela local municipality	Ensure good governance in the office of the mayor, council, municipal manager &			-		-	13 274	13 274	13 274	22 950	23 556	24 859	
To ensure good waste management in the Phumelela municipal area	Ensure good solid waste management			-		-	7 101	7 101	7 101	7 621	8 081	8 204	
To ensure good that 100% of households in the Phumelela municipal area have access	To ensure proper electricity distribution			-		-	17 452	17 452	17 452	17 427	18 284	19 184	
To ensure effective management of grave yards and cemeteries in the	To ensure proper management of cemetery and parks			-		-	2 793	2 793	2 793	1 055	1 103	1 153	
To ensure access to quality sport and recreational in the Phumelela municipal area	To ensure proper management of the library, sport and recreational facilities			-		-	1 258	1 258	1 258	2 811	2 995	3 190	
To ensure effective traffic management and parking in the Phumelela municipal area	To ensure proper traffic control			-		-	563	563	563	1 131	1 205	1 242	
No strategic Objective in IDP	Health			-		-	112	112	112	30	33	36	
Service delivery	To deliver affordable and acceptable service.			41 848		57 225	-	-	-	-	-	-	
Good governance	To achieve compliance with relevant Acts.			5 102		6 831	-	-	-	-	-	-	
Municipal planning	To successfully implement the IDP.			1 568		7 060	50	50	50	-	-	-	
Capacity building	To provide the necessary personnel.			2 139		5 021	-	-	-	-	-	-	
Financial viability	To achieve financial sustainability.			11 998		16 916	-	-	-	-	-	-	
Allocations to other priorities													
Total Expenditure				1	62 655	-	93 053	103 331	103 331	103 331	108 202	111 130	115 480

**Table 19 (Table SA6) – Reconciliation between the IDP strategic objectives and the budgeted capital expenditure**

FS195 Phumelela - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

PS 195 Phumelela - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	
R thousand													
100% Households in formal settlement have access to basic level of water: 2014	Proper water distribution and management	A		2 752	6 157	31 790	49 625	49 625	49 625	30 293	32 609	39 839	
100% Households in formal settlement have access to basic level of sanitation: 2014	Proper sewerage and sanitation management	B		10 488	6 593	23 060	20 275	20 275	20 275	5 507	6 955	6 855	
To ensure that identified internal roads in the Phumelela municipal area are maintained	To maintain and upgrade internal roads in order to facility economic and social	C		14 834	7 086	7 622	3 907	3 907	3 907	4 500	7 073	177	
To create employment opportunities in the Phumelela municipal area; resulting from	To create employment opportunities in local and rural areas	D		-	-	-	-	-	-	-	-	-	
To facilitate the financial viability of the Phumelela local municipality as measured in	To ensure financial viability in terms of budget and treasury & assessment rates	E		-	-	-	-	-	-	-	-	-	
To facilitate institutional transformation and development in the Phumelela	To ensure institutional transformation and development in terms of	F		-	-	-	-	-	-	-	-	-	
To ensure good governance in the Phumelela local municipality	Ensure good governance in the office of the mayor, council, municipal manager &	G		-	-	-	250	250	250	1 000	-	-	
To ensure good waste management in the Phumelela municipal area	Ensure good solid waste management	H		106	-	-	1 500	1 500	1 500	50	-	-	
To ensure good that 100% of households in the Phumelela municipal area have access	To ensure proper electricity distribution	I		280	2 273	-	4 500	4 500	4 500	-	-	-	
To ensure effective management of grave yards and cemeteries in the	To ensure proper management of cemetery and parks	J		-	-	-	-	-	-	-	-	-	
To ensure access to quality sport and recreational in the Phumelela municipal area	To ensure proper management of the library, sport and recreational facilities	K		-	758	11 645	4 042	4 042	4 042	4 213	3 119	3 099	
To ensure effective traffic management and parking in the Phumelela municipal area	To ensure proper traffic control	L		-	-	-	150	150	150	-	-	-	
To ensure effective firefighting in the Phumelela municipal area	To ensure proper fire fighting	M		48	808	-	700	700	700	-	-	-	
No strategic Objective in IDP	Health	N		-	-	-	-	-	-	-	-	-	
Other	PMU, General, Loans	O		123	-	3 500	1 735	1 735	1 735	1 264	1 040	1 051	
		P											
Allocations to other priorities				3									
Total Capital Expenditure				1	28 631	23 675	77 617	86 684	86 684	86 684	46 827	50 796	51 021

## **2.3 Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the PLM has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury:

The following table sets out the municipalities main performance objectives and benchmarks for the 2013/2014 MTREF.



**Table 20 (Table SA8) – Performance indicators and benchmarks**

FS195 Phumelela - Supporting Table SA8 Performance indicators and benchmarks

PS195 Phumelela - Supporting Table SA8 Performance indicators and benchmarks											
Description of financial indicator	Basis of calculation	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b><u>Borrowing Management</u></b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.1%	0.6%	1.0%	1.4%	0.5%	0.5%	0.0%	0.4%	0.4%	0.4%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.3%	1.3%	2.5%	3.2%	1.1%	1.1%	0.0%	1.0%	1.0%	1.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	0.9	0.6	4.1	4.0	4.0	4.0	–	5.2	5.3	6.1
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.9	0.6	4.1	4.0	4.0	4.0	–	5.2	5.3	6.1
Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.1	0.2	1.2	1.2	1.2	–	0.7	0.5	0.8
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		56.6%	76.4%	93.8%	85.5%	0.0%	0.0%	0.0%	86.9%	81.7%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			56.6%	76.4%	93.8%	85.5%	0.0%	0.0%	0.0%	86.9%	81.7%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	10.2%	13.7%	10.5%	8.3%	8.3%	8.3%	0.0%	10.7%	11.8%	14.1%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	90.0%	90.0%						90.0%	90.0%	90.0%
Creditors to Cash and Investments		652.0%	807.2%	671.9%	6859.8%	0.0%	0.0%	0.0%	244.7%	445.5%	173.0%
<b><u>Other Indicators</u></b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)								10%	10%	10%
	Total Cost of Losses (Rand '000)										
Water Distribution Losses (2)	Total Volume Losses (kℓ)								15%	15%	15%
	Total Cost of Losses (Rand '000)										
Employee costs	Employee costs/(Total Revenue - capital revenue)	19.8%	19.4%	30.3%	33.8%	33.8%	33.8%	0.0%	39.9%	41.3%	42.3%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	23.1%	22.2%	33.4%	35.4%	35.4%	35.4%		42.6%	44.1%	45.2%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	6.4%	5.4%	7.3%	4.3%	4.3%	4.3%		9.3%	9.5%	9.7%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.7%	0.7%	4.6%	4.5%	4.5%	4.5%	0.0%	2.7%	2.8%	2.8%
<b><u>IDP regulation financial viability indicators</u></b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	86.3	47.2	23.8	–	–	–	–	66.4	66.5	69.7
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	43.0%	58.1%	31.9%	23.8%	23.8%	23.8%	0.0%	29.2%	31.4%	37.2%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.6	1.0	0.1	0.0	–	–	–	0.2	0.1	0.3

## 2.4 Overview of budget related-policies

The PLM's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### 2.4.1 Review of credit control and debt collection procedures/policies

The Credit Control and Debt Collection Policy as approved by Council on 25 March 2008, has been reviewed. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment

of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the SETA training institution aims to also train indigent households. In line with the national government's initiative to create a million jobs, all role players are actively involved in the reduction of the number of registered indigent households.

The 2013/14 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 75 percent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the PLM's cash levels. In addition, PLM has already embarked on encouraging community to pay for services and those who cannot afford to pay, be registered as indigents.

#### **2.4.2 Asset Management, Infrastructure Investment and Funding Policy**

The Municipality has recently reviewed and adopted a Fixed Assets Management policy which provides all the information relating to the funding and investment related to the Infrastructure.

#### **2.4.3 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in 25 March 2008. The SCM policy was reviewed during the Annual Budget for 2013/14 MTREF and this policy was adopted by council when the Annual Budget was adopted on the 31 May 2013.

#### **2.4.4 Other Reviewed Policies**

The following policies were also reviewed when the Annual Budget for 2013/14 MTREF was prepared:

- Tariffs Policy
- Credit and Debt Collection Policy
- Indigent Policy
- Write-off Policy
- Petty Cash Policy
- Banking and Investment Policy
- Budget and Virements Policy
- Fixed Asset Management Policy
- Accounting Policy
- Borrowing Policy
- Funds and Reserves Policy
- Property Rates Policy
- Contingent Liabilities Policy
- Commitments Policy
- Unauthorised, Irregular and Fruitless Expenditure Policy

### **2.5 OVERVIEW OF THE BUDGET ASSUMPTIONS**

#### **2.5.1 External Factors**

The Budget Review 2013 notes that the South African economy has demonstrated flexibility despite unsettled international economic conditions. Global developments are likely to hold back higher growth over the short term, resulting in gross domestic product (GDP) growth being expected to steadily rise from 2.5 percent in 2012/2013 to 3.0 percent in the budget year, 2013/2014.. As the world economy strengthens, GDP growth is expected to accelerate to 3.6 percent in 2014/2015 and 3.8 percent in 2015/2016, led by robust household consumption, and stronger public- and private-sector investment. However, the Consumer Price Index (CPI) inflation remains at 5.6 percent over the two years and is anticipated to decrease to 5.4 percent in 2014/2015.

Government is focussing on capital investment in large-scale public-sector infrastructure projects and reducing the cost of doing business through targeted interventions. This will entail shifting the composition of spending from consumption towards capital investment. Moderating growth in the public-sector wage bill, and stabilising the growth in interest payments, will allow more funds to be spent on infrastructure and social spending.

The economy has been projected to add 850 000 new jobs from 2012 to 2014, with 80 percent of these in the private sector, lowering the unemployment rate to about 23 percent in 2014. Most of these jobs are likely to be concentrated in services and construction as a result of steady growth in domestic demand and infrastructure expenditure, and a pickup in residential investment expected during the outer years of the forecast.

### **2.5.2 General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2013/14 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in the cost of remuneration.

However, CPI inflation rate is still within the 6 percent parameter set by the South African Reserve Bank.

### **2.5.3 Collection rate for revenue services**

The rate of revenue collection is currently expressed as a percentage (60 percent) of annual billings. Cash flow is assumed to be 75 percent of billings due to corrective measures that are yet to be implemented. The performance of arrears collection will only be considered as a source of additional cash in-flow once the performance has been carefully monitored.

### **2.5.4 Salary increases**

The collective agreement regarding salaries/wages came into operation on 1 July 2013 and shall remain in force until 30 June 2016. This agreement provides for 6.85 percent increase in municipal employees' salaries for 2013/2014, as stipulated by SALGBC. Moreover, the municipality has just undergone an organisational review and filled the most critical vacancies as per the latest approved organisational structure (organogram). This exercise has drastically increased municipality's salary budget pool for the 2013/2014 financial period, but yet improving service delivery.

### **2.5.5 Growth or decline in tax base of the municipality**

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the PLM, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the costs incurred for servicing the household is the same whether it is poor or not, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

### **2.5.6 Impact of National, Provincial and Local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and, in this regard, various measures were implemented to align IDPs,

provincial and national strategies around priority spatial interventions. As thus, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Infrastructure development;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure, thereby ensuring the achievement of the national, provincial and local objectives.

## 2.5.6 Ability of the municipality to spend and deliver on the programmes

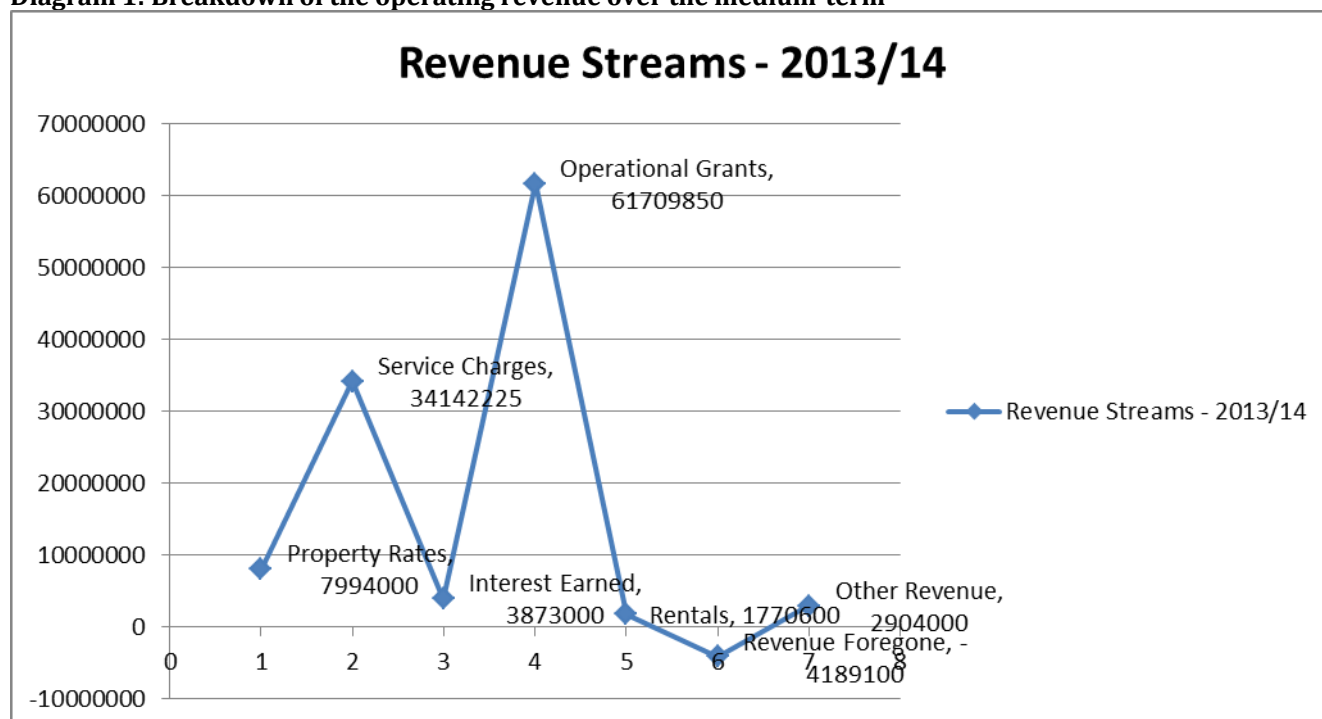
It is estimated that a spending rate of almost 100 percent is achieved on operating expenditure and a total of 100 percent on the capital programme for the 2013/14 MTREF. If the municipality could exhaust all its funds to ensure service delivery to the community, that is a committed municipality.

## 2.6 Overview of budget funding

### 2.6.1 Medium-term outlook: operating revenue

The following diagram is a breakdown of the operating revenue over the medium-term:

**Diagram 1: Breakdown of the operating revenue over the medium-term**



Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives a reasonable part of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building fees, licences and permits, etc.) make up the rest of the pie.

The revenue strategy is a function of key components such as:

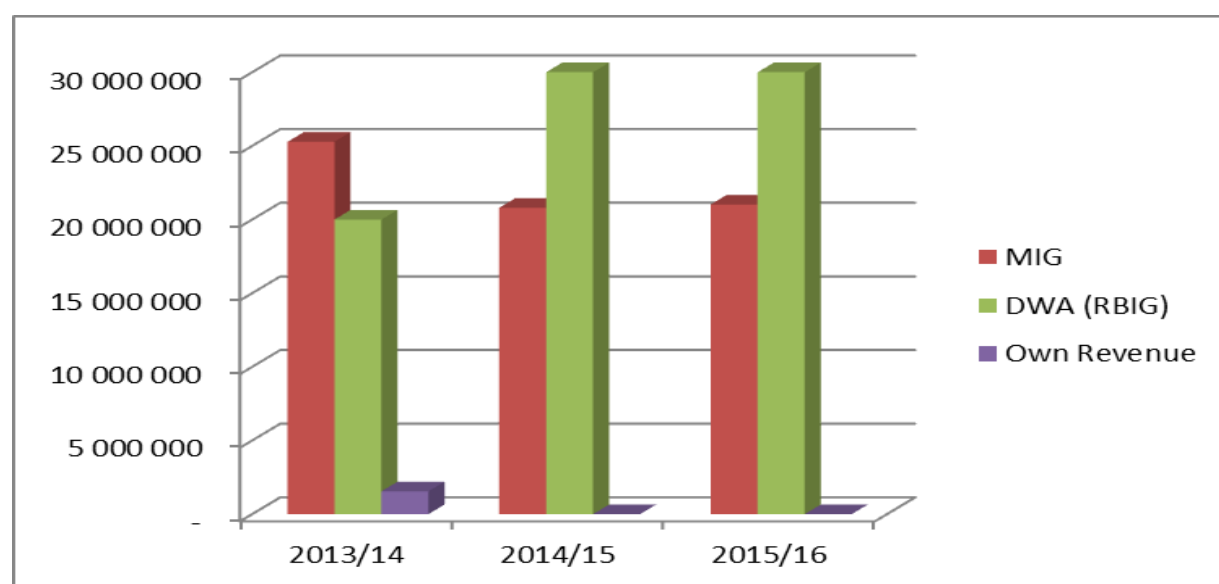
- Growth in the PLM and economic development;
- Revenue management and enhancement;
- Achievement of a 75 percent collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) guideline;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- The ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

## 2.6.2 Medium-term outlook: Capital Revenue

The following diagram is a breakdown of the funding composition of the 2012/13 medium-term capital programme:

**Diagram 2: Sources of capital revenue over the MTREF**



Grant receipts still remain a significant funding source for the capital programme over the medium-term. The borrowing capacity of PLM has essentially reached its limits and going forward borrowing limits will remain constant.

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds consist of R3.1m in 2012/13 and R1.55m in 2013/14. The main contributing factor to the escalation of 100 percent spending is owing to the fact that PLM budget for capital spending on a year to year basis is funded by conditional grants.

## 2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management

practice and also improves understanding for councillors and management. Some specific features include:

Clear separation of receipts and payments within each cash flow category;

Clear separation of capital and operating receipts from government also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the actual collection rate of billed revenue; and

Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 20 (Table A7) – Budgeted Cash flow statement**

FS195 Phumelela - Table A7 Budgeted Cash Flows

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>											
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Ratepayers and other		30 197	28 551	34 448	36 347				39 805	39 371	43 885
Government - operating	1	69 030	48 861	55 346	60 433				61 710	62 277	64 223
Government - capital	1	-	55 058	68 817	-				45 277	50 796	51 021
Interest		180	620	250	650				632	700	735
Dividends		-	-	-	-				-	-	-
<b>Payments</b>											
Suppliers and employees		(64 683)	(75 004)	(94 264)	(93 403)				(100 298)	(102 767)	(106 975)
Finance charges		(618)	(367)	(444)	(483)				(250)	(265)	(280)
Transfers and Grants	1	-	-	-	-				-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>34 105</b>	<b>57 719</b>	<b>64 153</b>	<b>3 544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46 876</b>	<b>50 111</b>	<b>52 609</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		-	-	-	-				-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-				-	-	-
Decrease (increase) other non-current receivables		-	-	-	-				-	-	-
Decrease (increase) in non-current investments		603	-	654	-				-	-	-
<b>Payments</b>											
Capital assets		(28 691)	(57 158)	(68 817)	(3 068)				(45 277)	(50 796)	(51 021)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(28 088)</b>	<b>(57 158)</b>	<b>(68 163)</b>	<b>(3 068)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(45 277)</b>	<b>(50 796)</b>	<b>(51 021)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-				-	-	-
Borrowing long term/refinancing		-	2 100	-	-				-	-	-
Increase (decrease) in consumer deposits		7	5	5	-				-	-	-
<b>Payments</b>											
Repayment of borrowing		(86)	-	(546)	(918)				-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(79)</b>	<b>2 105</b>	<b>(541)</b>	<b>(918)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>5 939</b>	<b>2 666</b>	<b>(4 551)</b>	<b>(442)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 599</b>	<b>(685)</b>	<b>1 588</b>
Cash/cash equivalents at the year begin:	2	<b>(3 546)</b>	<b>2 392</b>	<b>5 059</b>	<b>508</b>				<b>2</b>	<b>1 600</b>	<b>915</b>
Cash/cash equivalents at the year end:	2	<b>2 392</b>	<b>5 059</b>	<b>508</b>	<b>66</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 600</b>	<b>915</b>	<b>2 503</b>

- The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA circular 42 – Funding a Municipal Budget.
- In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
- Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
- Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2013/2014 MTREF was funded owing to the realised surplus.
- As part of the budgeting and planning guidelines that informed the compilation of the 2013/14 MTREF the end objective of the medium-term framework was to ensure the budget is funded in alignment to section 18 of the MFMA.

## 2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA.

**Table 22 – Funding compliance measurement**

FS195 Phumelela Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>High Level Outcome of Funding Compliance</b>												
Total Operating Revenue			94 519	117 500	93 600	103 614	103 614	103 614	–	108 205	111 139	115 484
Total Operating Expenditure			62 656	77 758	93 054	103 331	103 331	103 331	–	108 202	111 130	115 480
Surplus/(Deficit) Budgeted Operating Statement			31 863	39 741	546	283	283	283	–	3	9	4
Surplus/(Deficit) Considering Reserves and Cash Backing			20 937	10 403	7 372	9 384	2 000	2 000	–	8 954	8 768	13 514
MTREF Funded (†) / Unfunded (‡)		15	1	1	1	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✖		15	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

## 2.7 Expenditure on grants and reconciliations of unspent funds

**Table 23 (Table SA19) – Expenditure on transfers and grant programmes**

FS195 Phumelela - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>										
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		38 943	47 988	-	59 673	59 673	59 673	60 446	60 948	62 828
Local Government Equitable Share		35 458	44 238		56 039	56 039	56 039	56 906	58 214	59 911
Finance Management		2 750	3 000		1 500	1 500	1 500	1 650	1 800	1 950
Municipal Systems Improvement		735	750		800	800	800	890	934	967
Integrated National Electrification Programme		-	-		-	-	-	-	-	-
EPWP Incentive		-	-		-	-	-	1 000	-	-
		-	-		-	-	-	-	-	-
<b>MIG PMU ESTABLISHMENT</b>		-	-		1 334	1 334	1 334	-	-	-
<b>Provincial Government:</b>		1 632	873	-	760	-	-	-	-	-
COGTA - CFO Salary		-	-		760	-	-	-	-	-
COGTA - Refuse Dumps		132	473		-	-	-	-	-	-
DWA - Drought Relief		-	400		-	-	-	-	-	-
COGTA - Social Development		-	-		-	-	-	-	-	-
<b>COGTA - Turnaround Strategy</b>		1 500	-		-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<i>Electricity</i>		-	-		-	-	-	-	-	-
		-	-		-	-	-	-	-	-
<b>Other grant providers:</b>		450	-	-	-	-	-	-	-	-
<i>DBSA Capacity</i>		450	-	-	-	-	-	-	-	-
<i>Thetha Learners</i>		-	-	-	-	-	-	-	-	-
<b>Total operating expenditure of Transfers and Grants</b>		41 025	48 861	-	60 433	59 673	59 673	60 446	60 948	62 828
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		18 222	12 630	-	-	-	-	45 277	50 796	51 021
Municipal Infrastructure Grant (MIG)		18 222	12 630		-	-	-	25 277	20 796	21 021
Regional Bulk Infrastructure		-	-		-	-	-	20 000	30 000	30 000
Rural Households Infrastructure		-	-		-	-	-	-	-	-
		-	-		-	-	-	-	-	-
<b>Other capital transfers/grants [insert desc]</b>		-	-		-	-	-	-	-	-
<b>Provincial Government:</b>		8 852	11 046	-	-	-	-	-	-	-
<b>COGTA</b>		8 852	11 046		-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<i>Fire Station</i>		-	-		-	-	-	-	-	-
		-	-		-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<i>DBSA Capacity</i>		-	-		-	-	-	-	-	-
		-	-		-	-	-	-	-	-
<b>Total capital expenditure of Transfers and Grants</b>		27 074	23 676	-	-	-	-	45 277	50 796	51 021
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		68 099	72 537	-	60 433	59 673	59 673	105 723	111 744	113 849



**Table 24 (Table SA20) – Reconciliation of transfers, grants receipts and unspent funds**

FS195 Phumelela - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>										
<b>Operating transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		38 943	47 988	–	59 673	59 673	59 673	61 710	62 277	64 223
<b>Conditions met - transferred to revenue</b>		38 943	47 988	–	59 673	59 673	59 673	61 710	62 277	64 223
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>Provincial Government:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		1 632	873	–	760	760	760	–	–	–
<b>Conditions met - transferred to revenue</b>		1 632	873	–	760	760	760	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>District Municipality:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		–	–	–	–	–	–	–	–	–
<b>Conditions met - transferred to revenue</b>		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>Other grant providers:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		450	–	–	–	–	–	–	–	–
<b>Conditions met - transferred to revenue</b>		450	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>Total operating transfers and grants revenue</b>		41 025	48 861	–	60 433	60 433	60 433	61 710	62 277	64 223
<b>Total operating transfers and grants - CTBM</b>	2	–	–	–	–	–	–	–	–	–
<b>Capital transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		18 222	12 630	–	26 624	26 624	26 624	45 277	50 796	51 021
<b>Conditions met - transferred to revenue</b>		18 222	12 630	–	26 624	26 624	26 624	45 277	50 796	51 021
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>Provincial Government:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		8 852	11 046	–	56 942	56 942	56 942	–	–	–
<b>Conditions met - transferred to revenue</b>		8 852	11 046	–	56 942	56 942	56 942	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>District Municipality:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		–	–	–	–	–	–	–	–	–
<b>Conditions met - transferred to revenue</b>		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>Other grant providers:</b>										
Balance unspent at beginning of the year		–	–	–	–	–	–	–	–	–
Current year receipts		–	–	–	–	–	–	–	–	–
<b>Conditions met - transferred to revenue</b>		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
<b>Total capital transfers and grants revenue</b>		27 074	23 676	–	83 566	83 566	83 566	45 277	50 796	51 021
<b>Total capital transfers and grants - CTBM</b>	2	–	–	–	–	–	–	–	–	–
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>		68 099	72 537	–	143 999	143 999	143 999	106 987	113 073	115 244
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		–	–	–	–	–	–	–	–	–

## 2.8 Councillor and employee benefits

**Table 25 (Table SA22) – Summary of councillor and staff benefits**

FS195 Phumelela - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>	1									
Basic Salaries and Wages		2 006	2 190	2 670	2 240	2 240	2 240	2 869	3 056	3 256
Pension and UIF Contributions		-	-	-	477	477	477	34	36	41
Medical Aid Contributions		-	-	-	259	259	259	-	-	-
Motor Vehicle Allowance		614	685	758	1 060	1 060	1 060	956	1 019	1 087
Cellphone Allowance		141	157	175	205	205	205	201	216	232
Housing Allowances		23	25	50	-	-	-	-	-	-
Other benefits and allowances		-	-	-	42	42	42	53	57	62
<b>Sub Total - Councillors</b>		2 784	3 057	3 653	4 283	4 283	4 283	4 112	4 384	4 678
<b>% increase</b>	4		9.8%	19.5%	17.2%	-	-	(4.0%)	6.6%	6.7%
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages		1 081	1 362	1 982	1 600	1 600	1 600	1 778	1 896	2 022
Pension and UIF Contributions		-	-	97	322	322	322	457	489	525
Medical Aid Contributions		-	-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	399	396	824	1 018	1 018	1 018	1 016	1 085	1 158
Cellphone Allowance	3	-	-	-	-	-	-	-	-	-
Housing Allowances	3	-	-	-	13	13	13	-	-	-
Other benefits and allowances	3	-	-	173	26	26	26	155	170	185
Payments in lieu of leave		-	-	-	-	-	-	145	156	168
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
<b>Sub Total - Senior Managers of Municipality</b>		1 481	1 758	3 076	2 980	2 980	2 980	3 551	3 796	4 058
<b>% increase</b>	4		18.7%	75.0%	(3.1%)	-	-	19.2%	6.9%	6.9%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		13 276	16 694	19 656	22 723	22 723	22 723	28 112	29 939	31 844
Pension and UIF Contributions		1 784	1 908	2 073	3 024	3 024	3 024	5 082	5 413	5 766
Medical Aid Contributions		429	474	508	665	665	665	626	667	710
Overtime		82	91	159	1 135	1 135	1 135	583	620	659
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	33	36	36	848	848	848	1 011	1 032	1 056
Cellphone Allowance	3	1 253	1 300	1 183	-	-	-	-	-	-
Housing Allowances	3	-	-	-	191	191	191	36	38	40
Other benefits and allowances	3	680	723	915	815	815	815	755	805	859
Payments in lieu of leave		-	-	-	-	-	-	2 228	2 373	2 527
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
<b>Sub Total - Other Municipal Staff</b>		17 536	21 226	24 530	29 402	29 402	29 402	38 431	40 887	43 462
<b>% increase</b>	4		21.0%	15.6%	19.9%	-	-	30.7%	6.4%	6.3%
<b>Total Parent Municipality</b>		21 801	26 041	31 259	36 665	36 665	36 665	46 094	49 067	52 198
			19.4%	20.0%	17.3%	-	-	25.7%	6.4%	6.4%

**FS195 Phumelela - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)**

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## 2.9 Monthly targets for revenue, expenditure and cash flow

**Table 27 (Table SA25) – Budgeted monthly revenue and expenditure**

FS195 Phumelela - Supporting Table SA25 Budgeted monthly revenue and expenditure

PS193 Phumelela - Supporting table SA25 Budgeted monthly revenue and expenditure																
Description	Ref	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand																
<b>Revenue By Source</b>																
Property rates		584	584	584	584	584	584	584	584	584	584	584	584	7 005	7 363	7 725
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		610	610	610	610	610	610	610	610	610	610	610	610	7 323	7 698	8 075
Service charges - water revenue		1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	12 005	12 618	13 238
Service charges - sanitation revenue		471	471	471	471	471	471	471	471	471	471	471	471	5 650	5 939	6 231
Service charges - refuse revenue		497	497	497	497	497	497	497	497	497	497	497	497	5 964	6 269	6 577
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		148	148	148	148	148	148	148	148	148	148	148	148	1 771	1 865	1 965
Interest earned - external investments		55	55	55	55	55	55	55	55	55	55	55	55	665	700	735
Interest earned - outstanding debtors		267	267	267	267	267	267	267	267	267	267	267	267	3 208	3 374	3 543
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		18	18	18	18	18	18	18	18	18	18	18	18	210	222	234
Licences and permits		2	2	2	2	2	2	2	2	2	2	2	2	24	27	30
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		5 142	5 142	5 142	5 142	5 142	5 142	5 142	5 142	5 142	5 142	5 142	5 142	61 710	62 277	64 223
Other revenue		223	306	306	306	306	306	306	306	306	306	306	(611)	2 670	2 787	2 908
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		9 017	9 100	9 100	9 100	9 100	9 100	9 100	9 100	9 100	9 100	9 100	8 184	108 205	111 139	115 484
<b>Expenditure By Type</b>																
Employee related costs		3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 596	43 156	45 909	48 801
Remuneration of councillors		343	343	343	343	343	343	343	343	343	343	343	343	4 112	4 384	4 678
Debt impairment		955	955	955	955	955	955	955	955	955	955	955	955	11 455	9 290	7 301
Depreciation & asset impairment		207	207	207	207	207	207	207	207	207	207	207	207	2 478	2 607	2 737
Finance charges		38	38	38	38	38	38	38	38	38	38	38	38	460	486	512
Bulk purchases		1 129	1 129	1 129	1 129	1 129	1 129	1 129	1 129	1 129	1 129	1 129	1 129	13 546	14 602	15 738
Other materials		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services		196	196	196	196	196	196	196	196	196	196	196	196	2 350	2 472	2 594
Transfers and grants		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure		2 554	2 554	2 554	2 554	2 554	2 554	2 554	2 554	2 554	2 554	2 554	2 554	30 645	31 381	33 119
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		9 017	9 017	9 017	9 017	9 017	9 017	9 017	9 017	9 017	9 017	9 017	9 017	108 202	111 130	115 480
<b>Surplus/(Deficit)</b>																
		0	84	84	84	84	84	84	84	84	84	84	(833)	3	9	4
Transfers recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>																
		0	84	84	84	84	84	84	84	84	84	84	(833)	3	9	4
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit)</b>																
1.		0	84	84	84	84	84	84	84	84	84	84	(833)	3	9	4

## 2.10 Annual budgets and SDBIPs – internal departments

The SDBIPs for the different departments will in terms of section 53(1)(c)(ii) of the MFMA be tabled and approved by the mayor within 28 days after the approval of the annual budget. Therefore, at the time when this budget was adopted the SDBIP was yet to be approved.

## 2.11 Contracts having future budgetary implications

In terms of the PLM's Supply Chain Management Policy, no contracts are awarded beyond the medium term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

## 2.12 Capital expenditure details

The following tables' present details of the PLM's capital expenditure programme, firstly on new assets and on the repair and maintenance of assets.

**Table 28 (Table SA34a) – Capital expenditure on new assets by asset class**

FS195 Phumelela - Supporting Table SA34a Capital expenditure on new assets by asset class

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework			
	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	
Capital expenditure on new assets by Asset Class/Sub-class											
Infrastructure	2	28 460	22 109	62 272	79 807	79 807	79 807	41 614	47 677	47 922	
Infrastructure - Road transport		14 834	7 086	7 622	3 907	3 907	3 907	4 500	7 073	177	
Roads, Pavements & Bridges		14 834	7 086	7 622	3 907	3 907	3 907	4 500	7 073	177	
Storm water		-	-	-	-	-	-	-	-	-	
Infrastructure - Electricity		280	2 273	-	4 500	4 500	4 500	-	-	-	
Generation		-	-	-	-	-	-	-	-	-	
Transmission & Reticulation		280	2 273	-	4 500	4 500	4 500	-	-	-	
Street Lighting		-	-	-	-	-	-	-	-	-	
Infrastructure - Water		2 752	6 157	31 790	49 625	49 625	49 625	30 293	32 609	39 839	
Dams & Reservoirs		-	-	-	11 010	11 010	11 010	30 293	32 609	39 839	
Water purification		2 752	6 157	31 790	35 000	35 000	35 000	-	-	-	
Reticulation		-	-	-	3 615	3 615	3 615	-	-	-	
Infrastructure - Sanitation		10 488	6 593	22 860	20 275	20 275	20 275	5 507	6 955	6 855	
Reticulation		10 488	6 593	22 860	20 275	20 275	20 275	5 507	6 665	6 855	
Sewerage purification		-	-	-	-	-	-	-	290	-	
Infrastructure - Other		106	-	-	1 500	1 500	1 500	1 314	1 040	1 051	
Waste Management		106	-	-	1 500	1 500	1 500	50	-	-	
Transportation		-	-	-	-	-	-	-	-	-	
Gas		-	-	-	-	-	-	-	-	-	
Other		-	-	-	-	-	-	1 264	1 040	1 051	
Community		3	48	1 566	11 845	4 042	4 042	4 042	4 213	3 119	3 099
Parks & gardens		7	-	-	-	-	-	-	-	-	-
Sportsfields & stadia			-	758	-	4 042	4 042	4 042	4 213	3 119	3 099
Swimming pools			-	-	-	-	-	-	-	-	-
Community halls			-	-	9 845	-	-	-	-	-	-
Libraries			-	-	-	-	-	-	-	-	-
Recreational facilities			-	-	-	-	-	-	-	-	-
Fire, safety & emergency			48	808	-	-	-	-	-	-	-
Security and policing			-	-	-	-	-	-	-	-	-
Buses			-	-	-	-	-	-	-	-	-
Clinics			-	-	-	-	-	-	-	-	-
Museums & Art Galleries			-	-	-	-	-	-	-	-	-
Cemeteries			-	-	-	-	-	-	-	-	-
Social rental housing	-		-	-	-	-	-	-	-	-	
Other	-		-	2 000	-	-	-	-	-	-	
Heritage assets	9		-	-	-	-	-	-	-	-	-
Buildings		-	-	-	-	-	-	-	-	-	
Other		-	-	-	-	-	-	-	-	-	
Investment properties	10	-	-	-	-	-	-	-	-	-	
Housing development		-	-	-	-	-	-	-	-	-	
Other		-	-	-	-	-	-	-	-	-	
Other assets	10	123	-	3 500	2 835	2 835	2 835	1 000	-	-	
General vehicles		-	-	-	-	-	-	1 000	-	-	
Specialised vehicles		-	-	-	700	700	700	-	-	-	
Plant & equipment		-	-	-	-	-	-	-	-	-	
Computers - hardware/equipment		-	-	-	150	150	150	-	-	-	
Furniture and other office equipment		-	-	3 500	1 985	1 985	1 985	-	-	-	
Abattoirs		-	-	-	-	-	-	-	-	-	
Markets		-	-	-	-	-	-	-	-	-	
Civic Land and Buildings		123	-	-	-	-	-	-	-	-	
Other Buildings		-	-	-	-	-	-	-	-	-	
Other Land		-	-	-	-	-	-	-	-	-	
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-	
Other		-	-	-	-	-	-	-	-	-	
Agricultural assets		10	-	-	-	-	-	-	-	-	-
List sub-class			-	-	-	-	-	-	-	-	-
	-		-	-	-	-	-	-	-	-	
Biological assets	10	-	-	-	-	-	-	-	-	-	
List sub-class		-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	
Intangibles	10	-	-	-	-	-	-	-	-	-	
Computers - software & programming		-	-	-	-	-	-	-	-	-	
Other (list sub-class)		-	-	-	-	-	-	-	-	-	
Total Capital Expenditure on new assets	1	28 631	23 675	77 617	86 684	86 684	86 684	46 827	50 796	51 021	
Specialised vehicles	10	-	-	-	700	700	700	-	-	-	
Refuse		-	-	-	-	-	-	-	-	-	
Fire		-	-	-	700	700	700	-	-	-	
Conservancy		-	-	-	-	-	-	-	-	-	
Ambulances		-	-	-	-	-	-	-	-	-	

## **2.13 Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

### **1. In-year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the PLM's website.

### **2. Internship programme**

The PLM is participating in the Municipal Financial Management Internship programme and has employed eight interns undergoing training in various divisions of the Financial Services Department with effect from September 2012. All the previous interns have been appointed permanently with effect from March 2013. Since the introduction of the Internship programme the PLM has successfully employed and trained ten interns through this programme and a majority of them were appointed either in the PLM and other institutions such as KPMG and Anglo American.

### **3. Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

### **4. Audit Committee**

PLM is currently using a shared district Audit Committee but it is in the process of establishing its own Audit Committee and interviews will be held with the Audit Committee candidates.

### **5. Service Delivery and Implementation Budget Plan**

The detailed SDBIP document is at a draft stage and will be finalised after approval of the 2013/14 MTREF in May 2014 directly aligned and informed by the 2013/14 MTREF.

### **6. Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

### **7. MFMA Training**

Current Interns are busy undergoing the MFMA training module in electronic format, and will be registered for the Municipal Finance Management Programme from 1 July 2013. Nine officials of the municipality are currently undergoing the Municipal Finance Management Programme.

### **8. Policies**

All Phumelela Local Municipality's developed and adopted policies are aligned to government legislations and regulations as gazetted. Any amendments to our policies will not deviate from gazetted legislations and regulations.

## TARIFF LIST

Below is a list of all the tariffs that the municipality will charge for the consumption of municipal services.

		<b>Current Budget</b>	<b>Medium Term Revenue &amp; Expenditure Frame work</b>		
		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
<b>SEWERAGE</b>		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
% Increase		5.90%	5.60%	5.40%	5.40%
Residential		68.05	71.86	75.75	79.84
Businesses		230.72	243.64	256.80	270.66
Blockages		232.98	246.03	259.31	273.32
Septic Tank		232.98	246.03	259.31	273.32
Septic Tank 100-200 L		46.60	49.21	51.86	54.66
Hotels & Hostels		691.00	729.69	769.09	810.63
Retirement Homes		68.05	71.86	75.75	79.84
Buckets		68.05	71.86	75.75	79.84
<b>REFUSE</b>		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
% Increase		5.90%	5.60%	5.40%	5.40%
Residential		59.71	63.06	66.46	70.05
Businesses		138.48	146.24	154.14	162.46
Flats		59.71	63.06	66.46	70.05
Garden Refuse /sq.m		349.47	369.04	388.97	409.97
Building Refuses /cub.m		524.21	553.56	583.45	614.96
Churches		59.71	63.06	66.46	70.05
<b>WATER</b>		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
% Increase		5.90%	5.60%	5.40%	5.40%
Residential/per Kl		6.24	6.59	6.95	7.32
Vrede Marina/per Kl		6.24	6.59	6.95	7.32
Departmental/per Kl		4.28	4.51	4.76	5.02
Flat rate		43.71	46.15	48.65	51.27
Business/Government		7.89	8.33	8.78	9.25
<b>PROPERTY RATES</b>		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
% Increase		5.90%	5.60%	5.40%	5.40%
Residential- (Total less R 45 000)		0.0044	0.0047	0.0050	0.0052
Business/Government (Total less R 45 000)		0.0064	0.0067	0.0071	0.0075
Government- Rebate 30%		-	-	-	-
Schools- (Total less R 45 000) Rebate 30%		0.0011	0.0012	0.0012	0.0013
*Farms (2009/10 25%; 2010/11 50%; 2011/12 75%; 2012/2013 100%)		0.0008	0.0009	0.0009	0.0010

*The rate for agricultural properties is the effective rate, net of any rebates up to and including 75% of the rebates granted in terms of the policy on property rates					
<b>ELECTRICITY - WARDEN/EZENZELENI</b>					
		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
% Increase		11.00%	7.00%	7.00%	7.00%
<b>Residential Dwellings / Flat</b>					
	Basic	75.51	80.80	86.45	92.50
	<u>Conventional:</u> Energy cost per kWh	1.07	1.14	1.22	1.31
	<u>Prepaid:</u> Energy cost per kWh	1.07	1.14	1.22	1.31
<b>Businesses</b>					
	Basic				
	<u>Conventional:</u> Energy cost 1 - 25 kVA	191.51	204.91	219.26	234.60
	<u>Conventional:</u> Energy cost 26 - 50 kVA	264.56	283.08	302.89	324.09
	<u>Conventional:</u> Energy cost 51 - 100 kVA	439.43	470.19	503.10	538.32
	<u>Conventional:</u> Energy cost per kWh	1.17	1.25	1.34	1.43
	<u>Prepaid:</u> Energy cost per kWh	1.17	1.25	1.34	1.43
<b>Electricity Continued</b>					
<b>Industrial &amp; Other</b>					
	Basic	599.87	641.86	686.79	734.86
	<u>Conventional:</u> Energy cost per kWh	0.56	0.60	0.64	0.68
	<u>Conventional:</u> Energy cost per kVA	182.47	195.25	208.91	223.54
<b>Non Residential</b>					
	Basic				
	<u>Conventional:</u> Energy cost 1 - 25 kVA	343.93	368.00	393.76	421.33
	<u>Conventional:</u> Energy cost 26 - 50 kVA	428.26	458.24	490.31	524.63
	<u>Conventional:</u> Energy cost 51 - 100 kVA	642.44	687.41	735.53	787.02
	<u>Conventional:</u> Energy cost thereafter per kVA	1.84	1.96	2.10	2.25
<b>Hostels / Schools</b>					
	Basic	277.80	297.25	318.05	340.32
	<u>Conventional:</u> Energy cost per kWh	1.04	1.12	1.19	1.28



<b>Electricity Continued</b>					
<b>Departmental</b>					
	<u>Conventional:</u> Energy cost per kWh	1.22	1.30	1.39	1.49
<b>Vacant Erven</b>					
	Basic	85.80	91.80	98.23	105.11
<b>ELECTRICITY - BLOCK TARIFFS</b>		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
% Increase		11.00%	7.00%	7.00%	7.00%
<b>RESIDENTIAL</b>	<b>Block 1</b>				
	0-50	0.94	1.01	1.08	1.16
	<b>Block 2</b>				
	51-350	1.00	1.07	1.14	1.22
	<b>Block 3</b>				
	351-600	1.20	1.28	1.37	1.47
	<b>Block 4</b>				
	>600	1.50	1.60	1.72	1.84

#### **2.14 Municipal manager's quality certificate**

I ....., municipal manager of Phumelela Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal manager of Phumelela Local Municipality (FS195)

Signature \_\_\_\_\_

Date \_\_\_\_\_